The Province of Alberta

THE ROYAL COMMISSION ON METROPOLITAN DEVELOPMENTS OF EDMONTON AND CALGARY

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PROCEEDINGS

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INDEX

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EXHIBITS

No.	Description	Filed at
116E	Auditor's Financial Statement for the year ending December 31st, 1953 for West Jasper Place School District No. 4679	1931
117E	Brief presented on behalf of Canadian Industries (1954) Ltd.	2033

3-B-1
Filing of Exhibit

THE SITTINGS OF THE ROYAL COMMISSION ON METROPOLITAN DEVELOPMENT OF CALGARY AND EDMONTON, held at the Court House, Edmonton, Alberta, commencing Tuesday, the 30th day of November, A.D. 1954, at 9:45 a.m.

THE CHAIRMAN: Mr. McGruther has a document which it is suggested that we should file as an exhibit. Will you tell us about it, Mr. McGruther?

MR. McGRUTHER: Mr. Chairman, you will recollect that when West Jasper Place School District submitted their financial statement at the original hearings, that it was only on a typewritten sheet; I have here eight copies of the auditor's financial statement for 1953 in the Statutory form.

THE CHAIRMAN: And it is to be entered as Exhibit Number --?

MR. McGRUTHER: 116E.

THE CHAIRMAN: 116E?

MR. McGRUTHER: Yes.

THE CHAIRMAN: Thank you.

AUDITOR'S FINANCIAL STATEMENT FOR THE YEAR ENDING DECEMBER 31st, 1953 FOR THE WEST JASPER PLACE SCHOOL DISTRICT, NO. 4679 AS PRODUCED MARKED EXHIBIT 116E TO THESE PROCEEDINGS.

THE CHAIRMAN: This financial statement is for '53, is it?

MR. McGRUTHER: Yes, for the year ending December 31st, '53.

MR. DAVIES: I presume it is understood, Mr. Chairman,

3-B-2
Filing of Exhibit.
Mr. Massie introduces Dr. Littler.

MR. DAVIES: (Cont.) that that won't be copied into the record?

THE CHAIRMAN: Oh, yes, it is an exhibit for reference.

MR. MOFFAT: Does this replace the earlier statement or just what is the relationship between this and the early statement that was put in?

THE CHAIRMAN: Well, I presume it is the same statement except that it is presented now in the form that we asked for.

MR. DAVIES: There is a difference, Mr. Chairman. The mineographed statement which West Jasper Place School District put in the record when Mr. Willis gave his evidence was a sort of a condensed form for the convenience of circulating amongst the ratepayers and left out considerable information which is on the Statutory form and, therefore, this is the complete financial statement.

THE CHAIRMAN: This relates then, Mr. Moffat, to 61E.

MR. MOFFAT: Yes, I was trying to get that number, 61E?

THE CHAIRMAN: Yes.

MR. MOFFAT: Thank you.

THE CHAIRMAN: Are we ready to go on now?

MR. MASSIE: Yes. Mr. Chairman, the brief of Canadian Industries Limited, Gentlemen, will be presented by Doctor H. G. Littler, and I would like to introduce him.

Doctor Littler is Manager of the Plastics Department of Canadian Industries Limited, and he has

MR. MASSIE: (Cont.) been for 27 years associated with The Imperial Chemicals Company, the parent company in Great Britain, and with Canadian Industries Limited for the past 19 years in Canada. Up until the recent establishment of a separate Plastics Department, Doctor Littler was for many years manager of the Chemical Department of the Company and had under his direct supervision six chemical plants situate throughout Canada.

Doctor Littler holds the degree of Doctor of Philosophy and Chemistry from the University of Liverpool, has made studies of the economics of these chemical plants, and I am sure you will find his remarks useful in the problems with which you are faced.

Doctor Littler, please.

DOCTOR HAROLD GILBERT LITTLER, Canadian Industries (1954) Limited, Post Office Box 10, Montreal, Quebec, having first been duly sworn, testified as follows:

A Mr. Chairman and Gentlemen:

On behalf of Canadian Industries (1954) Limited I am presenting the following brief, but before I do so I would like to say that my firm has instructed me to say how very much they appreciate this opportunity of being able to put their views before you on these important matters.

"BRIEF PRESENTED ON BEHALF OF CANADIAN INDUSTRIES (1954) LIMITED TO THE ROYAL COMMISSION APPOINTED TO INQUIRE INTO THE ADMINISTRATION AND FINANCING

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"OF SCHOOL AND MUNICIPAL SERVICES IN THE CITIES OF EDMONTON AND CALGARY AND SURROUNDING AREAS.

INTRODUCTION

1. In response to the public notice announcing that this Commission will hear representations with respect to the administration and financing of school and municipal services in the City of Edmonton and surrounding area, Canadian Industries (1954) Limited herewith submits representations as the owner and operator of a plant situated in the Municipal District of Strathcona.

2. Canadian Industries (1954) Limited, herein referred to as C-I-L, is the owner of approximately 300 acres of land in the West half of Section 36, Township 52, Range 24, West of the 4th Meridian. In the Fall of 1953 C-I-L completed the construction of a plant for the manufacture of a plastic, polythene using the natural gas in what is known as the Leduc-Woodbend Field as a raw material.

BACKGROUND TO EXISTING PROBLEMS - POSITION OF MUNICIPALITIES

3. C-I-L appreciates that social and economic problems exist in the City of Edmonton and the surrounding areas.

4. The background of the general situation would seem to be that in the early

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"1930's during the depression, the area which is now the Town of Jasper Place was part of the rural municipality of Stony Plain, adjoining the City of Edmonton to the west. At that time many people established themselves in this semi-rural area rather than in the City, in order to escape the burden of urban taxes which were higher than those then payable in the rural area, and to avoid building restrictions. It was not many years before what was originally a sparsely settled area of small holdings developed into a fairly congested residential section, and in due course of time the Town of Jasper Place was incorporated to take care of the municipal problems which had arisen through the settlement which took place there.

5. The property in Jasper Place is, generally, inexpensive residential property and hence its assessed value is low. The result is that the town claims it has been unable to raise funds through taxes to finance adequate municipal and educational services.

6. The Town of Beverly adjoining the City of Edmonton on the east originated mainly as a housing project for a coal mine once operated within the Town limits. The coal

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"mine has been closed down and for much the same reasons as obtained in the case of Jasper Place, Beverly has the same difficulties in providing municipal and education services as exist in Jasper Place.

7. The City of Edmonton has experienced a rapid expansion in population in recent years and the built-up areas have grown to join the Towns of Jasper Place and Beverly, resulting in mutual economic problems such as transportation, streets, roads, utilities and the like. As Jasper Place and Beverly have not had the resources to pay for these improvements, they have turned to the City of Edmonton to do it for them. There is, therefore, pressure which it is difficult for the City to escape.

8. The Municipal District of Strathcona, herein referred to as M.D. Strathcona, lies to the east and south of Edmonton and was until 1947 almost entirely a rural area. Since the discovery of oil and gas in the Leduc field, however, industrial development has been taking place in that part of M.D. Strathcona near the city. This development to date has involved petroleum refineries, petrochemical plants, pipe line terminals and other industries. For these industries, location in a rural rather than an urban area offers

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"important advantages such as availability of large areas of land for expansion, and isolation for operations with inherent fire hazards. Furthermore, taxes in rural areas are generally lower than in urban areas. In the case of C-I-L's plant the present site was chosen only after consideration of two others. The first of these, which was near the Town of Devon, was abandoned because of the large expenditure which would have been involved in providing a connection to the nearest railway. The second, which was outside the eastern limits of Edmonton but on the north side of Highway 16 and west of the site finally chosen, was actually optioned before it was pointed out to C-I-L by the Edmonton District Planning Commission that the area under consideration would likely be annexed to the city as part of the city's plans for expansion. It was explained to C-I-L in conversation with officials of the city and the Planning Commission that construction of the polythene plant on the proposed site would not only interfere with the city's plans, but eventually subject C-I-L to city taxes as well. As C-I-L was particularly anxious to remain in a rural tax area and in addition wished to co-operate with the city, it abandoned

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"its original plan and chose the present site. As stated, this site was chosen with the full knowledge and concurrence of officials of the City of Edmonton and upon the recommendation of the Edmonton District Planning Commission, who stated that their plans envisaged expansion of the city eastward to 50th Street, which is the western boundary of C-I-L's present plant site, but not beyond.

9. As a matter of interest, the area in which the former site north of Highway 16 lay has since been annexed by Edmonton as forecast."

Q MR. MASSIE: May I interject a question there, Dr. Littler; was the site you mentioned the only possible site for your plant, and, if so, what was the prime consideration of that choice?

A Mr. Massie, it was not by any means the only possible site. Our operation makes use of this gas from the Leduc-Woodbend oil field because that gas happens to contain a very high percentage of ethane which we use as our raw material. It is, therefore, necessary to have our plant somewhere within reasonably easy distance of the pipe line joining Devon to Edmonton, but from the point of view of gas supplies any site between Edmonton and Devon would have satisfied that requirement. However, there are other considerations, that is the prime one but there are others. It would be

A (Cont.) advantageous to have reasonably level sites, a good subsoil for foundations so as to cut down one's construction costs. It is an advantage to be somewhere near a railway so that not too great an expenditure has to be made on building a spur line into the plant. It is an advantage being near a highway and there is another rather long term consideration which in our case played its part. As you all know, as you all know very well the petro-chemical industry and the chemical industry generally is always in a state of flux, one never knows what new things one is going to make at any given plant, all we know is that over a period of time something new will be made. Now, if one is near other industries carrying out somewhat similar processes there is always the possibility that you could pipe some of your materials over to them and they could pipe some of their materials over to you, which is a cheaper way of moving them about as a rule than by tank car. And then lastly and by no means least, of course, we would wish to be in a rural area away from surrounding buildings. We do not think that we are good neighbors for residential property for a number of reasons; and in the rural area, of course, the question of taxes is important too. Does that answer your question?

Q Yes.

A May I proceed?

Q Yes.

A " REASON FOR C-I-L's LOCATING IN M.D. STRATHCONA

10. As mentioned above, C-I-L intentionally located its plant in a rural district, and as it had been led to believe that its site in M. D. Strathcona would not be included in the proposed extension of the city, it could reasonably anticipate that as the area developed with further industrial expansion, the taxes payable would come down. It is assumed that like considerations also influenced the other industries that located in M. D. Strathcona. In a rural area there are not the same demands for municipal and school services which exist in urban areas, and therefore it would be expected that the taxes would decrease, if the Municipal District should be left to develop along normal economic lines.

11. C-I-L in common with many other Alberta industries is dependent upon extra-provincial markets. Therefore, such an industry can only expand substantially if it can supply the markets in Eastern Canada and elsewhere. The cost of transporting a product from Alberta to these markets is, however, very high, and there is thus a strong incentive for industries to locate in Eastern Canada or on the Pacific seaboard in order to avoid these high freight penalties. Therefore, such an industry will not be established in Alberta unless the cost of producing a given

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"material in Alberta is sufficiently below the cost of producing the same material in Eastern Canada or on the west coast, to offset the high cost of transportation."

Q MR. MASSIE: Doctor Littler, I think perhaps the Commission would welcome some figures on those statements; for instance, could you give them the proportion of your sales that are made outside the Province of Alberta?

A Yes, Mr. Massie. At the moment we are selling none of our product inside the Province of Alberta's boundaries. However, we do expect some local sales and we think that they may be about as much as one per cent of our output in due course. Almost the whole of our material is likely to be sold in Quebec and Ontario, there will be some export overseas, we do not think that that will be a very large proportion.

Q What is the freight rate on your product from, to Eastern Canada from Edmonton?

A The average freight rate is about $60.00 a ton.

Q Are there any other polythene plants in Canada or, if not, where are your competitors' plants situated?

A Well, at the moment there is no other polythene plant in Canada, although one is being built in the East near Montreal. Our present competition comes from America, from plants in Texas and West

A (Cont.) Virginia at the moment, and a new plant is going up near Chicago which, of course, will be an even stronger competitor because it is near the market, it is much nearer our markets than we are. As you may know, of course, polythene is imported into this country duty free, there is a tremendous duty going into the States but not coming in this direction so that we are in direct competition with these very large scale producers in the States.

"12. The discovery of oil and gas in Alberta favoured the location there of industries using these resources for their raw materials. However, with the discovery of oil and gas in Saskatchewan and Manitoba, and with the export of gas to Eastern Canada, the advantages in cost of locating in Alberta tend to disappear. Furthermore, rural property taxes in Alberta are high compared with those imposed in similar areas in the provinces of Ontario and Quebec, further prejudicing the competitive position.

13. A comparison of the taxes on C-I-L's plant in M. D. Strathcona has been made with taxes on its plants in rural districts in Ontario and Quebec, and is shown in the attached table. It will be noted from this table that on the basis of existing assessments and municipal tax rates in Alberta, the taxes are almost twice as high as in Ontario and Quebec. An analysis of the difference in taxes

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"discloses that the greatest difference occurs by reason of the non-assessment in Eastern Canada of process and manufacturing machinery and equipment. The result is that assessments in Ontario and Quebec are based on land, buildings and building services. On the other hand, in M. D. Strathcona, the high industrial taxes which presently exist are primarily attributable to the inclusion in the assessment of process machinery and equipment. The importance of this difference will be appreciated when it is realized that the process machinery and equipment alone account for 75 per cent of the total assessment of C-I-L's plant in M. D. of Strathcona."

Q MR. MASSIE: Doctor Littler, turning to the tables on the last page of the brief, I note it is shown that the replacement cost of the Quebec and Ontario Rural plants is $40,220,000 with an assessment of $5,613,000; it occurred to me that it might be likely that those plants are older plants and that, therefore, naturally the assessment would be lower in comparison with your newer Alberta plant?

A That is a very good point, Mr. Massie. As a matter of fact, it is true that almost all the plants in Quebec and Ontario are considerably older than the Strathcona plant which was only completed, of course, at the end of last year and, therefore, it perhaps one of the most modern plants we have.

A (Cont.) However, while the Quebec and Ontario plants are old, the comparison of assessments made here is entirely justified because the Ontario and Quebec authorities have continuously adjusted the assessments so as to bring them all on a '42, 1942 level, so plants that have been built since 1942 have had their assessment reduced to the '42 level, those built before have had it increased, and I might interject here that in some cases we think the increase has been a bit unreasonable. Does that answer your question?

Q Yes, thank you. Again, you stated in the brief that 75% of your assessment in Strathcona is represented by plant machinery and equipment; would the same ratio apply to the Quebec and Ontario plants?

A No, Mr. Massie, it does not. Actually what we have done in this table is merely to take the five plants we have in Ontario and Quebec, put down the appropriate figures, but it happens that none of those plants does happen to have the same high ratio of process machinery and equipment to the total assets as our plant here in the M.D. Strathcona, and, unfortunately, the company at the moment has no plant in Ontario and Quebec with that high ratio. However, in order perhaps to give you a little more information on this subject, before our company was split up, as you know, it was in July of this year by order of the American Court, we did operate a plant at Maitland

A (Cont.) in Ontario, not very far from the City of Kingston. Now, it so happens that this plant was completed about the same time as the polythene plant in Strathcona and it also happens that it is a similar type of plant in that it has a very high percentage of process equipment and, process machinery and equipment relative to the total assessment. Although it is now, of course, owned and operated by the DuPont Company, I asked them whether they would be agreeable to my publishing some figures on the plant, and they very kindly consented, and here are the figures that one gets, you see. It is a modern plant, very similar in nature to the polythene plant, it's ratio of process machinery and equipment to total assets is actually 65%, which is very nearly ours which is 75%. Now, the assessed value per $10,000,000 replacement cost is $862,500, that is 8.6% which would compare with the 14% shown in the table; and it has a mill rate of about 23 mills, very similar to the average mill rate we have got down there. The taxes are, would be $20,000 per annum per $10,000,000 with the taxes of Strathcona of sixty-four. In other words, had our plants in Quebec and Ontario the same ratio of process equipment and machinery to total assets as the Strathcona plant this 14% would probably have been about 9% and the whole table would, of course, have been much more favorable to the point I am going to make than it actually is. Is that all

A (Cont.) right?

Q Yes.

A " SOLUTIONS PUT FORWARD

14. In considering the solution of the problems which C-I-L agrees do exist, two suggestions have been put forward. One is that all of the areas in what is called Metropolitan Edmonton should be amalgamated into one municipality, so as to give to that municipality taxing powers to raise enough money to pay for the services which it would have to supply. The City of Edmonton, Jasper Place and Beverly have agreed that the City should take over Beverly and Jasper Place, provided it can at the same time take over the M.D. of Strathcona in order to reach the potential source of taxation existing in that Municipal District. The second proposal is that there should be a metropolitan scheme evolved whereby each of the municipalities would retain its political and taxing autonomy but that nevertheless there would be a metropolitan control for matters of common interest.

DISCUSSION OF INDUSTRY'S ALLEGED RESPONSIBILITY FOR PROBLEM

15. The suggestion has been made that the industries located in M.D. Strathcona are in some way responsible for the financial difficulties which exist in Beverly, Jasper Place and Edmonton. It has further been suggested

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"that as the employees of these industries reside in the urban areas, and use the municipal and educational services therein provided, the taxes paid by these industries should be paid to those urban areas through the formation of the proposed enlarged municipality. An analysis of the facts shows the fallacy of these suggestions.

16. With respect to municipal services, the plant of C-I-L is serviced by a Provincial highway; power is purchased from the Calgary Power Company; water is purchased from M.D. Strathcona, which, in turn, purchases from the City of Edmonton, and the Company pays a surcharge of 35 per cent over rates prevailing in the City plus a service charge to the Municipal District. An arrangement has been made with the Edmonton Fire Department, whereby that Department agrees to send, if available, one fire fighting unit to the plant, at a charge of $100 per visit plus a rental charge for the equipment and the wages of the firemen involved. The plant is serviced by a privately owned bus system which is used by 19 employees only. It is, therefore, apparent that the Company is not adding to the financial burdens of the urban areas with respect to the above-mentioned services, nor does it receive any

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"of the municipal services ordinarily provided to an urban ratepayer in return for the taxes paid.

17. Particulars of the former and present residences and the number of children of the 271 employees of the plant are as follows:

	Edmonton	Beverly	Jasper Place	M.D. Strathcona	Other
Present domicile of employees	254	5	7	4	1
Domicile prior to present employment	168	3	6	4	90
Children in school	137	2	6	0	0

18. It is evident from the above figures that any additional burden imposed on the school and municipal services of Beverly, Jasper Place or M. D. Strathcona by the building of the C-I-L plant must be negligible. Some 89 C-I-L employees have moved into the district and of these 1 has moved into Jasper Place, 2 into Beverly and 86 into Edmonton. On a pro rate basis, one third of the 137 school children of C-I-L employees were added to Edmonton's school population, i.e., about 46 children were added.

19. This information would appear to contradict any suggestion that the establishment of C-I-L's plant has in any material way contributed to the problems of Jasper Place,

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"Beverly or Edmonton, which existed long before the industrial development in recent years. On the contrary, with a total annual payroll of $1,112,000 paid to Edmonton area residents, and presumably used by them in part for taxes, rentals and other living expenses, the establishment of the plant in the rural area has contributed substantially to the welfare of the urban areas. The average weekly wage of $78.17 paid by the Company is nearly thirty per cent higher than the average weekly wage paid in the chemical industry in Canada.

C-I-L'S POSITION AGAINST AMALGAMATION

20. C-I-L considers any proposal for the solution of the problems mentioned above based upon amalgamation to be basically unsound and shortsighted.

21. The table attached shows that from the experience of C-I-L taxes on industry in urban areas are much higher than in rural areas. C-I-L believes that in the selection of a new plant site all industries consider the potential tax level an important factor, and in the case of some industries it could be the determining factor. It is, therefore, in the interests of the Province in fostering its industrial development to see that the tax position in any potential industrial area

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"should be made favourable for industry. In M.D. Strathcona where the beginnings of an important industrial expansion are soundly established, it is important that nothing should be done to discourage any future development in that municipality.

22. Taxes are an important element in the cost of production. Consequently, if taxes in Alberta are higher than taxes in alternative locations, there will be less incentive for industries to locate in Alberta.

23. The great advantages to the Province of Alberta of industrialization are unquestioned and thus it is in the long term interests of Alberta not only to refrain from increasing the tax burden on industry but to reduce it to the levels existing in competitive locations.

SUGGESTED SOLUTIONS

24. C-I-L agrees that some form of authoritative regional planning control of the general area is desirable so that orderly and efficient development thereof may take place on sound economic lines.

25. As far as the financial problems of Jasper Place, Beverly and Edmonton are concerned, it is submitted that these problems, which apparently arose principally from the cost of education, go beyond a local problem and that such problems should be met and dealt

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"with by senior governments.

26. In connection with industrial taxation in Alberta, the lack of uniformity in the methods and basis of assessment throughout the Province leads C-I-L to suggest to the Commission that consideration should be given to some manner whereby the methods and basis of assessment should be uniform. It is in the public interest that this be done on a Provincial basis. As the Acts now stand there is not sufficient certainty as to what is assessable, and there is even less certainty as to the method by which any assessor should arrive at his values.

27. When considering any revision of The Assessment Act, the problem which arises with respect to the taxes payable by industries during the first years of operation merits consideration. In many cases full production will not be achieved for some years, since the capacities of the plants, generally speaking, anticipate larger markets than will be immediately available. The capital investment to be carried by the operations is therefore usually considerably in excess of immediate requirements and such is the case with the polythene project of C-I-L in Alberta. Furthermore, in any complicated petrochemical plant, it takes a long time, sometimes two or three years, to

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"achieve normal operating costs.

CONCLUSION

28. In summary, the position taken by C-I-L may be stated as follows:

(1) C-I-L opposes any proposal whereby the area in which C-I-L's plant is situated is to be amalgamated with the City of Edmonton and Towns of Jasper Place and Beverly.

(2) C-I-L recommends the establishment of an authoritative regional control for planning purposes.

(3) C-I-L requests that the Commission recommend a review of assessment procedures and an amendment of the Assessment Act to provide for the non-assessment of process machinery and equipment of industrial plants and to provide for a reduced assessment of industry in the early years of operation.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

24th November 1954

CANADIAN INDUSTRIES (1954) LIMITED

Per H. G. Littler."

THE CHAIRMAN: Doctor Littler, if you will be seated in the chair there beside Mr. Massie or whichever place you want --

COMMISSIONER BLACKSTOCK EXAMINES THE WITNESS:

Q Mr. Massie, I wonder if I could suggest to you that you have Doctor Littler tell us about the gas supply, where you get it and what is done with it and how it

Q (Cont.) is disposed of?

MR. MASSIE: Do you follow that?

A Yes sir, yes sir. The situation, sir, is this. The gas originates in the Leduc-Woodbend Oil Field and comes up to the surface mixed up with the oil. It is then separated from the oil and passes through Imperial Oil's conservation plant where it is stripped of all the gasolines and easily liquefiable products. The gas then leaves Imperial Oil's plant in a pipe line, I think about 20 miles long, en route for Edmonton. Now, this particular gas coming from this plant contains a very high percentage of a constituent, ethane, it is a remarkably high percentage. I am not sure if it is not unique. This gas, ethane, is the one that we wish to use as our raw material. We take some portion of the Devon gas through a pipe line to our plant from the city gate where it comes in. We pass it through an absorption system which takes out a good deal, although not all, of that valuable constituent, ethane. That is then turned into polythene by complicated processes and we burn some of the remaining gas, either under boilers or use it in gas engines to drive our compressors. What is left is then returned to Northwestern Utilities mains and is distributed and going into the City of Edmonton.

<u>MR. MASSIE EXAMINES THE WITNESS</u>:

Q Well, I think you purchase the gas from two different companies?

A That is true.

Q How does that work out?

A Well, the situation is rather a complicated one. Imperial Oil made a contract with Northwestern Utilities whereby they bought the output of this Imperial Oil's plant at Devon for distribution to the city as ordinary fuel gas, but the contract specifically excluded the use of any of the constituents as a chemical raw material; so although Northwestern Utilities purchased the gas the contract stated that when, if somebody wished to use any fraction of this gas as raw material, well then the payment for that should be made to Imperial Oil. So we pay Imperial Oil for ethane and we pay Northwestern Utilities for the gas we burn under our boilers.

Q And Northwestern Utilities transport the gas for you, do they, from the Devon plant to your plant?

A That is so, and I should have added to make the picture complete that in transporting the ethane, for which they are not paid, they charge us a transportation cost, which is only reasonable.

THE CHAIRMAN: Mr. Brownlee?

MR. BROWNLEE EXAMINES THE WITNESS:

Q Doctor Littler, would you tell me, please, when your plant construction was commenced, the year that is?

A It will be sometime in 1951 I think.

THE CHAIRMAN: Doctor Littler, if you prefer you may remain seated.

Q MR. BROWNLEE: And what is the amount of your total investment in the plant?

A Well, it is actually given here, the replacement cost is the actual investment in hard assets, it is $13,937,000, but that does not, of course, include working capital.

Q You own approximately 300 acres of land, and what portion of that acreage is in actual use?

A About 10%.

Q Now, you have indicated to us, sir, that the nature of your operation is such that you are not a good neighbor to a city; I wonder if you would enlarge on that from the standpoint fire hazard and the risk to the general public?

A Yes, I shall be glad to. Mr. Chairman, we feel that we have taken every conceivable precaution to prevent any actual damage occurring outside our plant fence in the event of an explosion or fire, and we are satisfied that there would not be a loss of life or anything of that sort even if the worst catastrophe overcame us. Nevertheless, a plant which may catch fire, which is dealing with dangerous materials, which sometimes, I regret to say, does indulge in explosions is a very bad neighbor for residences. All of a sudden there will be a frightful bang and frighten them all out of their lives, it may even break their windows. We then are naturally inundated with letters complaining about such things, very properly, and our public relations are very unhappy indeed

A (Cont.) if you are surrounded by a lot of people that you are harassing in this way, so we prefer to seek solitude.

Q Is there any cause for complaint at all from noxious odors?

A I don't think so. We have a flare, which, of course, gives off a certain amount of black smoke which would be objectionable to some extent. It is no worse than other refineries but, still, that is objectionable, an objectionable thing to have near residences. I don't think we could be accused of making unpleasant odors, there may be a little oily smell every now and again but we have none of the usual smells that one associates with a chemical plant.

Q In any event, adding all of these things together, I presume that it is fair to say that you choose to isolate yourselves as much as possible and that a rural area allows you to get the maximum isolation?

A Well, certainly, sir.

Q And I take it also that you prefer to be in a position where residential or business population is not going to close in on you?

A Yes sir.

Q That is one of several factors which helped you choose your present location?

A Yes.

Q Were you influenced in the choice of your location by a desire to be near the city?

A I don't think so, or hardly at all. To repeat the statement which I made earlier on, I think in answer to a question of Mr. Massie's, that Mr. Massie put to me, we had a very wide choice of sites. A number of considerations influenced us to locate where we actually did, and one of them is the one I explained to you or explained to the Commission, that we wished to be near other industries that were developing along the same lines. Now, it so happened that those industries were reasonably near Edmonton, and we located there too. Had it not been for certain disadvantages with regard to rail haul we would have located near Devon, we could have gone in a number of different ways, and I don't think it is right to say that we "wished" to locate near Edmonton. We wished to locate in this particular location because of a number of conditions that were favorable to us there.

Q Now, Doctor Littler, I think you will agree that one of the prime considerations as far as your company was concerned in choosing its location was the tax bill which you would ultimately have to pay?

A Yes sir.

Q And I take it that the grouping of industrial firms in the Strathcona area has had the effect of lowering the mill rate in that area?

A Yes.

Q I take it that that situation is satisfactory to your company?

A Yes.

Q And to other industrial companies in the grouping?

A I am sure it must be.

Q I take it also, sir, that the grouping of those industries in part is intentionally done for the very purpose of creating a lower mill rate in the area?

A That is one of the considerations, yes, but not by any means the only one.

Q No, I am not trying to suggest it is the only one but --

A But it is an important one, yes.

Q Yes, it is understood by industry that the grouping in that manner does benefit them from the standpoint of lowering the mill rate?

A Yes.

Q Now, it has been suggested that the result of the lowering of the mill rate in Strathcona in this manner has worked a hardship on other municipalities in as much as it has made it difficult or almost impossible for certain other municipalities to compete with Strathcona in their ability to lure industries; now, would you agree that that situation is probably unavoidable?

A Yes, I would think, Mr. Brownlee, that it is inevitable. Industries tend to group themselves together for certain economic reasons, the availability of gas, water or the fact that one wants to be near to one another and exchange products,

A (Cont.) and so on, there are many such reasons. It is a very unusual circumstance that you will get industries evenly distributed over a large area of any province. It tends to group. Now, obviously since it is going to group in one place or perhaps two places it does mean that in other parts of the province or the municipalities, they are going to be short of those particular types of industry. All that is true irrespective of what the taxation system may be. However, the fact that industry grouping together tends to reduce the mill rate merely emphasizes the economic considerations which tend to group the industries together anyhow. May I put it another way, it is most unlikely that whatever was done with the mill rate or the taxes, you would get Canadian industries in M.D. Strathcona, Canadian Chemical in Jasper Place, and Sherritt Gordon in Beverly. I mean, that sort of thing would never happen. This grouping together is the way the economics of the thing works out, and it is highly desirable.

Q And I believe you did say that you do not believe that industries could be disbursed over the various municipalities?

A It would be, it would be a very serious drawback if it were.

Q And I assume you feel that this grouping which has taken place in Strathcona is a matter of great benefit to the public and to the province?

A Yes.

Q Now, in choosing the location you weigh certain advantages against certain disadvantages, prominent among the disadvantages being the freight rate question; are we in a rather precarious position in Alberta from the standpoint of our advantages outweighing our disadvantages?

A Mr. Brownlee, that is a very big question and I can only attempt to answer it in part. The experience we have had is that the cheaper raw materials in Alberta are just about balanced by the extra freight cost of hauling material to the eastern market. You will observe that that is not going to be the same for every product, it is a very general statement. In our own case, the case of the polythene plant, it was a toss-up for a long time whether we should locate in the east or in the west. On balance, we chose to come west, but by a small margin. Our competitors, going through exactly the same calculations, have come to exactly the opposite conclusion, they are going to locate in the east. It shows how near the balance is.

Q I take it from reading your brief in general, sir, that it is your feeling that the tax bill payable by industry in a rural area is probably less than it would be in an urban area?

A That is our experience, yes.

Q Now, would you care to tell me what you think might be the result, from the standpoint of other industries looking at Alberta now, if it were announced that the

Q (Cont.) present industrial area in Strathcona was going to be brought within the boundaries of an enlarged city of Edmonton?

A Oh, I think that that would be an adverse factor influencing any industrialist, he would much prefer either to go somewhere else in the Province of Alberta or to build his plant perhaps nearer his markets. It could not be other than detrimental, that announcement, from the point of view of an industrialist.

Q And might it to some extent harm the advantage which has accrued by reason of the grouping of those industries in a rural area inso far as our ability to draw more industry into the Province is concerned?

A Yes, it would have that effect, it would tend to decrease the formation of new industries in that area. I don't say it would stop it necessarily, but it would be an adverse factor.

Q I am interested in the general observations on page 3 of your brief in connection with incidents which occurred during the time that you were selecting a plant location in the province; I note that you say that prior to locating where you now are you had optioned property which was then closer to the boundaries of the City of Edmonton than is your present land location, is that correct?

A Yes sir.

Q And in some manner it came to the attention of the Edmonton District Planning Commission and to

Q (Cont.) the attention of the City of Edmonton that you proposed to locate on this optioned property; now, it appears that you were more or less told that your presence was not considered advantageous to the City of Edmonton, is that so?

A That is so, yes, the City of Edmonton when they -- or rather the District Planning Commission I think firstly but also the City of Edmonton pointed out that they proposed to develop in that direction and they felt that it was most unfortunate that a big industry like ourselves should come and buy the very land that they were going to expand over and build a plant there which was certainly a most undesirable neighbor for the kind of development they had in mind. Our reply was that we had done this in all innocence, we were quite ignorant they were going to expand there or had in mind they were going to expand there, in that direction, and we hastened to assure the authorities that we would do everything possible to move the plant, which we ultimately did. They pointed out to us as an added incentive to get out of this land that if we stayed there we would be incorporated in the city and have to pay higher taxes, which we would not like, and we did in fact move, and we got a very gracious letter from the Edmonton District Planning Commission, from which I would perhaps read you the last paragraph to show you the how the incident terminated. The Chairman said:

A (Cont.) "I should be obliged if you would convey to the company our appreciation of the very co-operative and public spirited attitude which its officers have evinced in going to the trouble of changing their plans for the location of this project. The Company may be assured that the Commission and its staff will be ready at all times to render any assistance that we may be able to give in connection with the further development of this enterprise."

So it all ended very happily.

MR. DAVIES: Doctor Littler, would you mind giving the date of the letter and the signature of the sender, please?

A Now, let's see if I have that. I am afraid I haven't got the date here. Would it be satisfactory to the Commission if I sent them a copy of the letter as soon as I can get to my file? I just mentioned it in my notes now.

MR. DAVIES: You have not got the name of the sender then either, Doctor?

A No, I am afraid I haven't, but I can get a copy of the letter and have it sent to you, Mr. Chairman.

THE CHAIRMAN: Thank you very much.

Q MR. BROWNLEE: Now, two points were made clear to you, one was that you would pay a city tax bill?

A Yes.

Q And this is a broad question, but obviously from what you say it was put to you in such a way that it

Q (Cont.) was clearly a deterrent to locating on that optioned land?

A Oh, yes, yes, it was pointed out to us that they didn't want us there and that if we knew our business we would not want to be there, and we could not agree more.

Q Now, you chose another site which is your present site; and did you make it clear to the City of Edmonton and to the Edmonton Planning Commission that this new site was your choice?

A Yes, yes.

Q And was it indicated, well, your brief says it was indicated to you that that new site was beyond the proposed extended boundaries of the city?

A That is so.

Q Now, sir, you were about to invest a very considerable amount of money, and I assume that this question of whether you were going to be in that rural area as you wished was correct or not?

A Would you mind repeating that question?

Q Well, I say you were about to spend a considerable amount of money, you were going to a new location?

A Yes sir.

Q And I assume that you were very much concerned to know that this new location was in the rural area as you had hoped?

A Indeed, yes, yes.

Q And I assume that you were concerned to know whether the extended boundary as explained to you was the limits proposed for the city?

A That is so.

Q And was that a fairly clear understanding on the part of your company?

A Yes, an understanding, not in the sense of an agreement, an understanding in the sense of making clear. The Commission pointed out to us that they had no plans to go beyond this particular line and that we would be safe to locate outside the line drawn on the map, safe from the point of view of escaping city taxes and also not getting into the way of any new plans the city might have in mind, the District Commission might have in mind.

Q And in the course of the discussion you had with these officials we have mentioned you had made it clear that you were just as anxious to be in a rural area as the city was to have you outside of the city?

A Quite so.

Q So that is it fair to say that it would be difficult for there to be a misunderstanding between C.I.L. and the City as to your wishes?

A Oh, yes sir, I don't think there is any misunderstanding at all, there could not be.

Q Then don't you think, Doctor Littler, that it is a most unusual situation that two years later, in the light of what transpired, it should now be proposed that your plant will be brought within the limits of the city?

A Yes.

Q Aren't you surprised?

A Very surprised.

MR. BLACKSTOCK: I don't know that that is quite fair, Mr. Brownlee. This problem existed before C.I.L. ever thought of coming to this province.

MR. BROWNLEE: I understand that, sir.

MR. BLACKSTOCK: I was Chairman of the Public Utilities Board, Mr. Massie was my colleague, and we knew that a situation was developing which could only be cured by legislation. Now, the city did not appoint this Commission and the coming of C.I.L. to this area did not create the problem: the problem was there. But industry appeared at least to aggravate the problem, and the Government in its wisdom decided that the problem should be solved in some fashion or another. It appointed this Commission to investigate and report. We in turn said to the whole area "We are going to hold public hearings.". In our Notice we published the Terms of Reference, and we invited solutions from various people and we have had, as you know, some solutions offered to us and I don't think that the city can be charged with bad faith, that was not the word that was used, but that is almost the implication.

MR. BROWNLEE: Yes sir.

MR. BLACKSTOCK: That the city is now guilty of bad faith when it has made its amalgamation suggestion. I don't think that that can be said because the problem was there and we have been asked to try to solve it and we have invited solutions

MR. BLACKSTOCK: (Cont.) and we will have to in some way or another try to arrive at an equitable solution.

MR. BROWNLEE: I quite understand that, Mr. Commissioner.

Q MR. BROWNLEE: Well now, sir, I understand from your remarks that your export market, that is out of Canada, is probably not expected to be very large?

A That is so.

Q But you will have some export market?

A A small amount, yes, a relatively small amount, yes.

Q And with what country or countries would you be competing insofar as your foreign market would be concerned?

A Primarily with American producers and to a lesser extent with European producers, but our prime, our major source of competition would be from the States.

Q I suppose that there are other industrial firms out in the same general area of Strathcona that will have greater foreign export markets than will your company?

A Oh, yes, in my understanding that is so.

Q Now, I believe -- I quite realize this question should have been asked of Canadian Chemicals -- but I think it is common knowledge that Canadian Chemicals has a very large proportion of its market outside of Canada?

A So I understand, yes.

Q Now, can you say, sir, from your general business

Q (Cont.) knowledge, is it not a matter of some concern across Canada as to the ability of ourselves in Canada to compete in maintaining our export markets because of the competition from low cost competitors?

A Yes sir, that is so.

Q Now, I realize that that is a broad statement, but you would agree with it, would you, sir?

A Yes, I would, indeed.

Q And I take it it would logically follow from that that costs such as raw materials, taxes and so on are a matter of some concern in determining the ability of Canadian Industry generally to compete with foreign markets?

A Certainly.

Q Pardon, compete for foreign markets?

A Certainly.

Q I didn't quite understand your situation with respect to natural gas, but possibly you could clarify it by telling me whether you take the natural gas from Northwestern Utilities Limited?

A Yes, we do.

Q And will your company be affected to any extent if the rates of Northwestern Utilities might have to be increased?

A Yes.

Q Is that a matter of relative, of relatively slight concern or of marked concern to your company?

A It would depend on how much the rates went up really, if they went up very much it would be of

A (Cont.) very considerable concern. After all, our raw materials, both for power and for our chemical synthesis are bought from Northwestern Utilities and Imperial Oil, it is the same gas field, and clearly if that goes up in price the cost of our operations goes up with it.

Q Now, I have two more questions, sir. May I refer you to page 6 of your brief, paragraph 15, where you say:

> "The suggestion has been made that the industries located in M.D. of Strathcona are in some way responsible for the financial difficulties which exist in Beverly, Jasper Place and Edmonton."

The suggestion is that industries in Strathcona are responsible for the problems of Edmonton, Jasper Place and Beverly to some extent and in some manner, I feel that you do not agree with that thought and I wonder if you can elaborate on your view in that regard?

A I shall be very pleased to. I am most dissatisfied with some of the arguments that have been put forward tending to show that industry throws a burden on surrounding municipalities. Sometimes the argument takes the form that industry requires its employees to be housed, their children to be educated, and very many services of that sort, and it pays a certain tax and sometimes not to the municipality that is providing these services, and in any case the

A (Cont.) tax is not very much. Now, I think that if that argument is examined you will see that a number of things must have been left out. One is the tax that is paid by the employees and the expenditure that the employees themselves make. Take the case of the provision of houses, it is the custom in the East where I come from that if a man acquires a house he pays for it and my understanding is that that old fashion custom is one that people in Alberta adopt too, so that it is hardly fair to talk as if the house has been provided gratis. He paid for it. When he buys the house he also pays taxes on it. If he is a man who is receiving a fairly high salary those taxes are probably above normal so he is making a contribution too that is perhaps higher than the average. Now, all those things have to be taken into consideration and I think that if all the repercussions of an industrial development were properly evaluated, I believe that you would find that the prosperity of the towns had been increased rather than their burden increased by industries locating near them.

I wish I could prove that. I wish I could find figures to support my argument. It is purely an opinion at the moment, and I don't suppose the Commission will attach very much weight to it, but I would like to draw this perhaps to your attention, that if industry, every time a new industry is founded, an added burden is placed upon somebody, one would imagine that a

A (Cont.) very highly industrialized country like the United States would be just flat broke because think of all the industries imposing all these great burdens on somebody or other! Now, it works out the other way around so that I think that there must be something the matter with the argument but I cannot put my finger on exactly what is wrong. I am sorry I am not able to be more precise.

Q Thank you, sir.

MR. BLACKSTOCK EXAMINES THE WITNESS:

Q The statement was made here the other day, Doctor, in the submission of the Town of Beverly that the new houses that were being built and people moving in with young families is a liability on the town, a liability on the town; and one can see that when you look at the cost of education, the taxes on an ordinary house in Beverly will not begin to pay the cost of educating two children.

A Well, Mr. Commissioner, perhaps we are off on the wrong foot, and that these problems that we are talking about would be solved if we capped all the oil wells and took the industries away from Alberta. If they keep on adding burdens that are not offset in some way that might be the only solution. Industrialization must be a rather bad thing. Of course, it seems to me that the general conclusion is that it is a rather good thing.

Q Well, we will all agree to that. It is just a question that is raised here.

A Yes.

Q And which we have not solved or attempted to solve and that is the imbalance of assessment and taxation. Industry is certainly good and we all want it. It is a question now of the ratio of taxes to the whole cost of operating the community.

A I see the point very clearly.

MR. DAVIES: Doctor Littler, possibly it would contribute to your thinking on this matter, you may or may not have seen the recent figures in the Edmonton Journal in the last months provided by the Dominion Bureau of Statistics which stated that the area in Canada which had the largest average wages on a population basis was the area of Trail in B.C. Now, if that is so it would appear that the position of industry might be more firmly established in the community as contributing a high level of income to those who reside in the area, lifting the standard of living of those people who take part in that industry and at the same time, for example, in Alberta, building up an urban population which contributes an expanding market for the agricultural producers to sell their products in their own area without having to pay the damaging factor of freight rates and other excessive costs.

A Yes.

THE CHAIRMAN: Yes, Mr. Brownlee, are you finished?

MR. BROWNLEE: I have no more questions, Mr. Chairman.

THE CHAIRMAN: Thank you very much. Well, Dr. Littler, it is our habit to have a short adjournment of ten minutes at mid-morning which we will take now, and when you return afterwards we will see if there are any further questions.

A Thank you.

(At this point there was a brief adjournment, and the Commission reconvened.)

MR. BROWNLEE: Mr. Chairman, may I ask Doctor Littler one more question?

THE CHAIRMAN: This is the one you promised us and didn't ask, is that it?

MR. BROWNLEE: That's right, sir.

MR. BLACKSTOCK: I interrupted your flow of thought, I am sorry.

Q MR. BROWNLEE: No sir, this occurred during the adjournment. If the boundaries of the City of Edmonton are extended so as to encompass the present industrial area in Strathcona, what do you think of the possibility of other industries that might come into Alberta locating beyond, farther to the east, and away from the new city boundaries; or, for example, in the Fort Saskatchewan area near Sherritt Gordon?

A I think it is quite likely that that sort of development might take place.

Q Rather than an increase in the industrial grouping in what is now Strathcona?

A May I point my answer in this form, if the situation

A (Cont.) is allowed to remain as it now is I would guess there would be quite a considerable build up in the industrialized area of Strathcona. If that area is brought within the city limits there may still be some build up but it will be less and you will tend to get a second M.D. Strathcona created outside the then city limits.

Q Thank you, sir.

A That is what I would guess.

MR. BRYAN EXAMINES THE WITNESS:

Q Doctor Littler, you were not here for the evidence prior, and I am representing the Town of Jasper Place and perhaps to trace its background and to summarize our basic problem I might say that our taxes, with our tax rate out there, it is fifty four and a half mills, of which forty two mills goes to education and only twelve and a half goes to the general operation of the town, and that percentage has been slowly increasing, so that perhaps highlights the problem we have. Now, referring to the industries east of the city of Edmonton, they are at present enjoying a tax rate of approximately twenty five mills. I think you will agree with me, Doctor, that in the past, that is many years ago, it was the habit of municipalities in the east and elsewhere to grant tax concessions to new industries very freely?

A Yes.

Q And that has found to be "a bad thing" in the words

Q (Cont.) of "1066", is that not correct?

A May I answer that question in a rather elaborate fashion rather than just "yes" or "no". As I understand it, the evils of these special tax concessions was that they were not subject to any definite rule. They were, the concessions were made purely on the whim, if "whim" is the right word, of the authorities of any of the little towns or even the big towns. Now, that is extremely undesirable because you get competition between municipalities to entice industries into their districts or into their towns, and they are often, they often made such concessions as to be quite ridiculous. The idea of the tax concession in order to cover some special circumstance that the industry may be facing, such as, for example, a plant far too large for its present operations, there is nothing inherently wrong about that as long as the same rules apply everywhere and are not allowed, and it is not a subject of discretion. It was that discretionary feature I think that was so evil about it, not the other principle.

Q Yes, I quite agree with you, it is the fact that there is a difference between different municipalities?

A That is so.

Q And different cities, etc.?

A Yes.

Q And in some cases you say it was ridiculous, the concessions that were made, and in most areas

Q (Cont.) at the present time there is a refusal to grant tax concessions or fixed assessments or anything of that nature at all?

A That is so.

Q Except the general basis, that there may be a difference province-wide, for example, with regard to the taxation machinery, but nevertheless there is no, there are no tax concessions allowed in most areas, I am correct in saying that?

A Certainly in Alberta, yes.

Q Yes, and in the east, many of the cities refuse now to make tax concessions, that's right, isn't it?

A A lot of them do, yes.

Q Now then, in the Municipal District of Strathcona by reason of the bunching, shall we say, of industries in the one area that municipality has been able to lower its mill rate, that is correct?

A Yes.

Q And I think it was Mr. Mackenzie for the Celanese plant I think stated that they hoped that it would perhaps further continue to decrease as industry congregated in that area, that is likely to happen, is it not, Doctor?

A I would think so, yes.

Q And if you get a number of plants, a number of larger plants coming in there, new plants coming in there, you might be, you might quite possibly see a decline in that mill rate to 25 mills, to

Q (Cont.) 20 mills, or even lower; now, that in effect would be the same as a tax concession, wouldn't it?

A Well, I am very glad, sir, that in answering your first question I was so elaborate. (Laughter). Because, you see, the evil of the concession is the arbitrary nature of it.

Q And the difference --

A Not that there was a concession made but that it was made in a most improper fashion. Now, that is the objectionable feature, and that feature does not exist in this, if I may say so, without offence, rather farfetched analogy.

Q Now, we will carry the analogy a bit farther, Doctor. It is quite true there are evils in the way tax concessions have been granted, and you will also concede that another evil is the difference between different areas, that one city might grant a tax concession of 20%, another might grant 30%, and you would get a difference just across the line in competing industries, for example; that is not a good thing either, you can see that?

A Well, if you are really making the same point as I made there, then I agree with you, the point being that these things must be done according to rule, there must be some general rule but, of course, the general rule would not necessarily result in all tax rates being the same.

Q Oh, I quite agree with that, but should not the

Q (Cont.) general rule be province-wide?

A Oh, yes, I think so.

Q Rather than one small area?

A Yes, I think so.

Q Therefore, if the result of the congregating of industries at one place has the result of dropping a mill rate to 20%, pardon, twenty, which in effect gives the same effect, which in effect gives the same benefit as a tax concession, and it is only confined to one small area, the other areas are charging fifty four and a half, I suggest then that there is a situation which is not a good situation, isn't that correct?

A Conceivably it might be an ideal situation, it might be just exactly what you wanted.

Q For the industries?

A No, no, for the whole area.

Q Why?

A To get back to my original statement, I am afraid I cannot go along with much of the argument here that as you industrialize you make things poorer, including Jasper Place and Beverly. Surely all the evidence of history is that the more you industrialize, particularly as you import or establish industries that are highly mechanical, the higher then is your standard of life; but these depressed spots where we have all these difficulties exist not because you have too many industries but because you have too few and of

A (Cont.) the wrong kind. Now, if that argument is sound, and I do very sincerely regret I cannot prove it or give enough figures to make it reasonably certain, but if that argument is sound then surely anything which encourages industry is going to be to the benefit of everybody. You see, supposing your residents of Jasper Place had a very considerable increase in their personal income, a very large number of your problems would be solved. I submit that almost all the problems we are looking at are problems of low personal income.

Q I can see your point, but still I think you must concede that in some cases if the taxation paid by an industry reaches a point where it is below the benefits provided by the municipalities in that area, then surely it is not paying its way to the social structure in which it had been implanted?

A I quite agree, that is the old concept of social cost, I agree with that entirely. I do feel that the taxes paid by that industry directly and indirectly, and I do stress the word "indirectly", should at least cover all the benefit it and its employees get and if we are going to get better and progress, then it should more than cover them.

Q Yes.

A Now, the contention I am making is that if you do your calculation correctly then I think you will find that that is what industry does.

A (Cont.) What is happening is that in doing the calculation you leave out a vast amount of benefits that are produced indirectly. May I say this, which I think is relevant to the discussion, that it was pointed out by Mr. Kahn in a rather celebrated paper, in the Economic Journal in England, that one new job created two others, and you had a multiplier of three therefore and, so, the same thing was true about income, of course, which would naturally follow; so that a new job that produced an income of $4,000.00 a year directly would in fact increase income by $12,000.00 a year. Now, the indirect effect of employment was, therefore, twice as much as the direct effect. It seems to me that if that is so, and those were figures for England, they don't necessarily apply here, but it seems to me that if that is so, that that is so, to leave out an effect which is twice as big as the first one is distorting your picture very much and I think what one ought to do if you are to discuss this thing completely one should try to take into account all the taxes paid as a result of the establishment of the industry in M.D. Strathcona or anywhere else. It requires a bit of research but I think with a little trouble you could get that figure approximately right.

Q Well, Doctor Littler, I am prepared to concede a lot of what you have said but what you said just previous to that, that industry should pay its way in the social structure --

A Undoubtedly.

Q That being the case, then there should be a basic amount that the industry should pay?

A Oh, undoubtedly.

Q That taxes should never fall below a certain minimum?

A Oh, I agree with that.

Q But what that minimum is is one that would take a lot of research?

A Yes.

Q Now, I was mentioning this fact of the declining mill rate, creating as it does what amounts to a tax concession and the benefits perhaps of the same, also penalizes the other municipalities which are trying to balance their tax picture; you would concede that, wouldn't you?

A I am afraid the word "penalizes" is the word that I fall over, if you are benefited by an industry are you penalized by it? You can argue that you should be benefited more, there I will go along with you, I think that is a contention, but the use of the word "penalizes" to describe a benefit is rather odd.

Q Well, perhaps if I went a little farther, what I meant was this, in Jasper Place we have an area which adjoins the C.N.R. tracks which can be made the subject of an industrial, a place for an industrial development with the trackage coming in there; Strathcona has a similar set-up in the south where it could come in off both the C.N.R. and C.P.R. tracks and new industries could develop:

Q (Cont.) now, would you say it would be possible for Jasper Place to attract many industries when they are forced by reason of the tax picture to have fifty four and a half mills whereas Strathcona can have twenty five, and if Mr. Mackenzie is right, twenty or a lower mill rate, doesn't the competition become such that it is impossible to balance up?

A That is a very very good point and the answer to that is most certainly "yes". I think perhaps you are familiar with situations that developed like that in England, that because of extremely high tax rates it was extremely difficult to industrialize depressed areas and, in fact, the Government took very energetic and I think rather successful steps to overcome that by central planning, so that the answer is undoubtedly "yes" to that question.

Q Now, conceding those points, Doctor, we have this position, where we have on the east of the city large industries settling with a very low mill rate, taxation rate, and to the east and to the west in Beverly we have what you perhaps say are "depressed areas" where we have a very high mill rate, a tremendous proportion of which goes to education and no means of balancing it out; now then, that is the overall picture, you have the Edmonton area in that situation; now then, you have given in your brief and in your statement

Q (Cont.) here reasons why you feel it should not be, the taxation set-up as far as your industry goes and the other ones should not be changed. Now, I know the Commission is very anxious to find solutions; could you tell us what you think would be the solution for that situation in the Edmonton area?

A I can only answer that in a very general way and I am afraid I speak under correction the whole time because I really am not as familiar with these problems as I should be, and certainly I am not familiar enough to make any statement that carries any weight. But if you ask my opinion it can be nothing more than a rather uninformed opinion, but I feel the solution of these difficulties that you have outlined must be done on a province-wide basis. These are old sores which have grown up, either due to rather unfortunate actions taken in the past or due to misfortunes, anyhow they are not normal, they are pathological. I think they should be cured and steps should be taken, insofar as such steps can be taken, to see that a recurrence of this thing does not happen again; but it is something that has gone wrong and I think the whole province or perhaps the whole country should deal with these areas. There are not many of them I don't think in Canada, and as Canada progresses and gets more prosperous there will be fewer and fewer but they do exist and action must be taken, and I think because it is

A (Cont.) really a province wide or a nation wide problem that either the province or the nation are the right people to do that planning. It is most unfortunate to select somebody who has nothing whatever to do with the errors that have been made in the past and arbitrarily say "You must pay for it.". I mean, why pick on Henry?

Q I will concede your point there, Doctor, but you feel that this is a problem where you have a depressed area and an area with a big industry close together and that rather than an "Edmonton metropolitan area problem" it is a provincial problem?

A I would think so, yes.

Q Thank you, Doctor.

MR. MOFFAT EXAMINES THE WITNESS:

Q Doctor Littler, at the outset I might say that I think I have enough questions here to go well over the noon hour break, but we will get started into them anyway. The first question I wanted to ask, I believe in introducing you Mr. Massie stated that you were primarily a chemist but I think he was, there was some indication you also had some qualifications in the economic side of things; now, I didn't quite catch that because I was sorting my papers at the time, I wondered if you would just clarify your background a little bit for us?

A Well, I think Mr. Massie described it quite accurately, I am a chemist or was a chemist but in view of the

A (Cont.) fact that I have been associated for a number of years with general industrial development, economic questions have arisen that had to be dealt with, but I would not claim for a moment that I have any competence as an economic scientist. My knowledge of economics is very restricted to just those problems that I happen to have been dealing with and as you know it is a very great danger for people like myself to go rushing off and generalizing in the general economic sphere, and one gets led into traps if one does that, so that anything I say must be taken with the heavy qualification in mind that I have just mentioned, that I am really concerned with the economics of an industry, not with economics generally.

Q But that would be extended to include the question such as plant operating costs in different parts of the country?

A That is so.

Q And perhaps in different countries in the world even?

A Yes, that is so.

Q And such things as tax, municipal taxes in other areas and so on? Now, I wonder if we could summarize your brief in these words, that you favor leaving things just as they are except for reducing your own taxes?

A No, I think that would be as unfair a way of stating it as to state that the City of Edmonton is in favor of not doing anything about its own

A (Cont.) problem but getting somebody else to pay for it, I think those two statements are equally unfair, I would hasten to withdraw the second one and I cannot agree with the first.

Q But just looking at your conclusions though at the bottom of page 9, you say C.I.L. opposes any proposal whereby the area would be amalgamated?

A Yes.

Q C.I.L. recommends the establishment of an authoritative regional control, which we have got, maybe it needs more authority but at least it is there, so that (2) doesn't mean anything and

> "(3) C.I.L. requests that the Commission recommend a review of assessment procedures and an amendment of the Assessment Act to provide for the non-assessment of process machinery and equipment --"

Now, doesn't that up to "leave it alone except reduce our taxes."?

A No, I don't think it does, I think we are making some very constructive suggestions which I am convinced, if they are carried out, will redound to the credit and prosperity of Alberta and Edmonton in particular, because I think that what you want is more industry here and we have made a suggestion of how to get it. I think the more industry you get the less problems you will have, you will have a higher standard of life, you will have fewer Beverlys and fewer Jasper Places.

A (Cont.) We are suggesting that one take the long term view rather than the short term. The other provinces in the east are quite anxious to get the industries and they are setting about trying to do it in a very competent way. Our suggestion is that Alberta might do worse than follow their lead. I don't think that can be dismissed as a mere suggestion to just sit tight and do nothing about it.

Q Well, what are some of the suggestions then, just clarify them a little bit?

A I am afraid that I must harp again on the point I made earlier on, the more industry you have here the more prosperous you are going to be, the higher your standard of life, and the fewer problems you are going to have of the nature of those that we are discussing here.

Q The problem that this Commission is dealing with, the primary question is that of municipal boundaries, is that not right; are you aware of the Terms of Reference?

A I am, yes.

Q You have given several times the answer that industry in the area brings prosperity?

A Yes.

Q I think we all agree with that, does it necessarily bring prosperity to the municipal authorities, in other words have you, are you aware of the distinction between what it might do to the municipal corporation as such and what it might do the individual?

A Yes, I was. I think I dealt with that because surely a prosperous municipality is one that has prosperous citizens and if you don't have prosperous citizens it does not matter how clever the municipality is, it can never be prosperous.

Q Does the reverse follow?

A No.

Q Just because the citizens are prosperous does that mean the municipality is prosperous?

A Well, if it is not there must be something the matter with the municipality because if you have a very large number of wealthy people living in a district and you can't pay your way there must be something the matter. Surely --

Q Well, I am --

A May I interrupt you, pardon: you cannot pay your way because the people are not wealthy enough, That is the real snag.

Q Well, what if you had a few large taxpayers and a large number of small taxpayers and the large taxpayers pay their taxes to one municipality and the small taxpayers are in another municipality and are being provided with services from the other municipality and their education, their sewers, their streets, their roads, everything paid for by the municipality different from the one to which the large taxpayers are paying their taxes; now, is that in the category of things that are something wrong and need to be changed?

A I am not sure. The small taxpayers, I take it, are our employees who live mostly in Edmonton?

Q And Jasper Place and Beverly?

A Well, there is a very small number in Jasper Place, mostly in Edmonton. Now, I have yet to be convinced that those people are not paying their way if you bear in mind the fact that not only do they pay taxes directly, and I might point out to you that they are being paid a very high wage relatively, but not only do they pay taxes directly but all the money that they spend, amounting to some millions of dollars a year is spent in stores and in this way and in that way and a certain proportion of all that money goes to taxes too.

Q Are you aware that all the total tax monies that is paid on residential property does not pay the cost of education alone?

A I can quite believe that, but, you see, these people don't just sit in their houses, they buy groceries, and they buy this and they buy that.

Q Well, even then if we add the grocery stores on?

A Pardon?

Q Do you suppose that if one added on the subsidiary industries such as grocery stores, the department stores, theatres, and so on, and still excluded the industrial plant, do you suppose that setting the industrial plants completely aside the other industries could possibly support the whole area?

A I don't see why not.

Q Well then, you would say that the City of Edmonton

Q (Cont.) should be able to exempt completely all industrial plants and still carry on, is that right?

A Inside the City of Edmonton now?

Q Yes, yes?

A No, no. I think we are perhaps talking at cross purposes. The discussion started on these lines, we had industries in, say, M.D. Strathcona --

Q If I could interrupt you just a second, I would like to clarify the analogy, so far as the city is concerned the industries located in the M.D. of Strathcona are paying no taxes to the city?

A That's right.

Q Therefore it is exactly an equivalent to having an exemption?

A Precisely.

Q As far as the city is concerned. Now then, I am asking you, do you think the city could still operate if it excluded all industries?

A May I just go on a little further? These industries in M.D. Strathcona are paying taxes to M.D. Strathcona and not to the City of Edmonton. Now, the industries (we are going to fall into a semantic trap here), the industries in the M.D. Strathcona consist of things like compressors, buildings, pipes, columns, and using the word "industry" to describe those things the amount of services they require is very very small indeed. either from Strathcona or from anywhere else, and the amount they are paying to Strathcona far

A (Cont.) exceeds the amount the industries get in services. The employees, however, of those industries require many more services than the compressors and the distillation units and those employees live in the town or the city of Edmonton for the most part. Now, those employees are paid on the whole about a million dollars a year and they spend that and part of it goes directly to Edmonton in taxes. Most of the rest of it no doubt is spend on all kinds of materials and services and so on inside the City of Edmonton and the business concerns inside the City of Edmonton that provide those services to those employees also pay taxes.

Q That's right.

A Now, I see no reason at all to suppose that the City of Edmonton can pay its way, can't pay its way if the taxes paid by the industries in Strathcona continue to be paid to Strathcona; but I can see that if the industries inside the City of Edmonton, supplying our employees with those services don't pay any taxes, then I can quite see that the City of Edmonton might not be able to carry on.

Q What about the basic plants in the City of Edmonton?

A Pardon?

Q What about the basic plants in the City, the packing houses, the railways, those kind of plants which are comparable to yours, they are

Q (Cont.) basic industries?

A I hardly think so, they were put in the city for a definite purpose, while we wish to isolate ourselves from the city I can hardly imagine a railway wishing to isolate its station from the city and putting it far out in the M.D. of Strathcona.

Q No, but the whole question here is that --

A The whole point about the railways is that they should be and want to be in the city.

Q The present question, the question is about paying taxes?

A Yes.

Q Well, do you see any reason why the city should be deprived of taxes as to the particular heavy industries that happen to be in Strathcona?

A Yes.

Q And should not be deprived of the particular heavy industries that happen to be on the other side of an artificial line that somebody drew across the map?

A I see a very good reason indeed, because one type of industry wants to be in the city and its prosperity depends on being in the city, and the other does not want to be in the city and would be frightfully embarrassed if it were put inside the city, I think it is a most adequate reason why they should not have to, don't you?

Q Are you seriously suggesting then that your plant is not getting any benefits from being adjacent to the

Q (Cont.) downtown, having a place where its employees can live, having a place where it can send its employees' children to school, and so on?

A I don't say that, wherever we go, anywhere in the province we are going to get benefits in the province.

Q And from the municipality?

A If we are near a municipality, the municipality; but if we are situate, if we put our plants somewhere away from a municipality we would have to get benefits from some little town, we might even have to create a town, but we are bound to get benefits from the surrounding country.

Q And the municipal taxes which you would pay would pay for them, isn't that correct?

A If we were out, if we had located, say, in the Town of Devon which we seriously considered doing, we would have drawn all sorts of benefits from the Town of Devon.

Q And would have paid the municipal taxes?

A And would have paid those taxes to the Town of Devon, and so would our employees, that is perfectly true.

Q Does that suggest then that it would be more reasonable if your municipal taxes were now paid to the municipality that is providing those services?

A They are, we are paying them to the M.D. of Strathcona.

Q But is it the M.D. of Strathcona that is providing the services for you, I mean the services for your

Q (Cont.) industry as a whole, including the employees, the subsidiary industries, the grocery stores, and all the rest that go with an industry, not just the plant?

A You see, we are back again in this business of semantics, our plant pays to M.D. Strathcona rather more in taxes than it gets for valuable services. Our employees in the City of Edmonton pay to the City of Edmonton directly and indirectly for the services they get from the City of Edmonton, and we pay our employees the amount of money necessary to do that. Now, I can't see where the confusion comes in. First of all we talk about "industry" to mean these physical assets and equipment, and then we talk about "industry" to mean a lot of human beings.

Q Yes, but --

A And that is different.

Q Isn't it true that as far as the social organization is concerned your industry is not just a plant, your industry is the plant and its employees and the schools that teach the employees' children, and the grocery stores that provide them with food, and so on?

A I entirely agree with that and may I go one stage further, that when you are talking about the taxes paid by industry you mean the taxes that are paid by the plant and by the employees and by all the secondary things that the employees set up when they spend their money.

Q That's right.

A We must have the word either to cover everything or just to cover the physical assets. Now, the contention I make is that if you use the word to cover the whole thing then the taxes paid by the whole thing are adequate.

Q But the point I am trying to get clear is whether you think that the taxes paid by the whole thing should be paid to the municipality that provides the services for the whole thing or whether you think it is reasonable to have a division and pay a big block of the taxes to one municipality and have all the costs in another one?

A Well, in the first place we don't pay a big block of taxes in one municipality and have all the costs in the other, you see. That is where all the difficulty starts, we just don't do that.

Q How much service are you getting from Strathcona at the moment?

A Very little.

Q Taking the industry as a whole?

A Taking the industry as a whole, I would think that we are not getting very much, we are paying more than we get and I would say that that is always true of industry, talking about "industry" as the plant.

Q No, I am talking about the whole, I am talking about the whole thing as in the definition that you gave a moment ago.

A If you use the word "industry" to include all our employees too, well then they are getting very little, the employees are getting very little service from the M.D. of Strathcona but the employees are paying M.D. Strathcona very little taxes, they are paying them all to Edmonton, or most to Edmonton, from which they get these services.

Q Well, we are just going around the same circle?

A That is what I feel, I feel that there is a frightful confusion there.

MR. HAYES: All right, you are trying to put words in the other one's mouth.

Q MR. MOFFAT: If we go then just to a somewhat related problem at the bottom of page 8 in your paragraph number 25:

> "As far as the financial problems of Jasper Place, Beverly and Edmonton are concerned, it is submitted that these problems, which apparently arose principally from the cost of education, go beyond a local problem and that such problems should be met and dealt with by senior governments."

A Right.

Q What do you mean by "senior governments", do you mean the province or -- ?

A Yes, the province really, it is perhaps not a very fortunate word, either the province or, of course,

A (Cont.) to some extent Canada as a whole because education is getting in some part anyhow into a Dominion wide consideration at the moment.

Q Well, the point I wanted to get clarified though is that primarily you mean the Provincial Government?

A Yes, primarily that.

Q Suppose then that extra revenue was not made available by the Province out of provincial taxes, and money does not grow on trees.

A Quite so.

Q Although some people do think it does, apparently, it does not, although some people think it does in some places in Alberta.

A I realize that, it has to come from somewhere.

Q Somewhere it has to come out of taxes, and do you suppose it will assist the development of industry in Alberta to have Provincial taxes go up?

A No.

Q According to reduced municipal taxes?

A No, I don't think it would. Any increase in taxes must necessarily be an adverse factor in establishing industry in Alberta, but obviously if the taxes, if the tax spread through the whole of the province, if the tax is spread through the whole of the province the impact on any one industry is going to be much smaller than it would be if you select a small group of industries and make them pay the whole shot; but there is no question that high

A (Cont.) taxes are bad and increases in taxes bad. Unfortunately, they are necessary evils as you know, and the suggestion here is that the taxes, if they have got to be raised, should be raised in a way that would do as little damage as possible. There is no suggestion made it is going to be a good thing.

Q Maybe this would be a good time to adjourn?

THE CHAIRMAN: Yes, and you will carry on after lunch?

MR. MOFFAT: Yes, I have quite a few things here yet, sir.

THE CHAIRMAN: Yes, thank you, and Doctor Littler, we will adjourn until two and perhaps you will return at that time.

A Thank you very much.

THE CHAIRMAN: Thank you very much.

(At this point the Commission adjourned until two p.m. this same date.)

PROCEEDINGS AT 2:00 P.M.

DOCTOR H.G. LITTLER, recalled to the stand on his former oath further examined by Mr. Moffat:

THE CHAIRMAN: Now, Mr. Moffat are you ready to carry on?

MR. MOFFAT: Yes sir, I may say, Mr. Chairman, that over the noon hour I took the opportunity to rewrite my notes to a more logical order I hope we can go through things a little faster as a result.

Q MR. MOFFAT: Doctor Littler, your brief, in several places, talks about the preference to your company for a rural area and I wonder if you would elaborate just slightly what you mean by rural? There seems to be two ideas involved here, and one is rural in the sense of away from residential and one is rural in the sense of low taxes. Now, could you elaborate a little bit in the light of that distinction?

A Yes, I would be very glad to, Mr. Moffat, I think that when we speak of our preference for rural areas we mean that we would prefer to be in an area away from any thickly inhabited part of the country and we also wish to be in an area where taxes are low, because, like many industries, unlike in fact some plants that we have, we don't require, the plant itself does not require the services of the city and does not benefit by being in the city. Now, certain industries do and some of the works we have derive an advantage from being in the city in the same way as a railway station does but the particular

A (Cont.) industry in Strathcona neither wants nor receives the services that a city can give to the plant itself and nor does it want to be adjacent to residential property for all the reasons which I gave earlier on this morning.

Q Well, then what you are saying is that what your consideration is, which takes you to a rural area is something other than taxes?

A No, taxes is a part of it, that is one of the reasons, there isn't one compelling, dominating reason, it is a mixture of the two.

Q Well, do you suppose there is anything significant in the fact that when you, your people made your first inquiry in this area, when you studied the whole situation, your first proposal was a site which was right against a rapidly growing residential area.

A Yes, well, as you know, we found that land which we could option and we believed it was going to be in a rural area until we were enlightened by the District Planning Commission and then, of course, we moved.

Q Now, let us get this distinction, it is rural in the sense of low taxes but surely you didn't have to have the District Planning Commission to enlighten you that there was a residential area there which was growing very rapidly?

A There I am ashamed to say we should have investigated the case ourself more carefully and we didn't realize at that time that this residential area was growing so rapidly. From what I can remember the nearest houses were quite a ways away and there didn't seem to be

A (Cont.) so many of them but it was after our discussion with the Commission that we saw that that situation was quite temporary and then we moved away, of course.

Q About when was this kind of an investigation being made? Three or four years ago?

A Yes, about that, about '50, '51 as I recollect, 1951 I think.

Q So at that time the city was growing at a rate of around eight thousand people a year?

A Yes.

Q And your plant location specialists, who have had experience in this kind of thing, not only in Edmonton but all over Canada and most of the world, had presumably had a look at this and still were thinking in terms of locating pretty close into the city?

A Well, I think I can enlarge on the point that you are bringing up, which is a very good one, by saying this, that the expert in this case was myself --

(Laughter.)

Now, the situation that we found ourselves in was this. We had been making an investigation as to the feasibility of building a plant to make polythene in Canada for some time, the best of my recollection might be five years prior to the decision that was taken. I don't know how many studies were made but the whole thing, however, was brought to a head by reason of two circumstances. One was that

A (Cont.) the market for polythene began to increase much more rapidly than we had originally anticipated so we foresaw that a plant would be required rather sooner than the original study had indicated. That was one of the circumstances, the other circumstance was the Korean war. Now, as you know, polythene is a vital material for defence, without polythene air-borne radar particularly would not have been possible. We were fearful, as many people were fearful at that time that this Korean war was the prelude to something a great deal worse and we felt that in our own interest and in the national interest we had had discussions with the military authorities in Ottawa, they certainly would require a quantities of polythene if things got worse. We felt that in those circumstances hesitation was definitely the wrong thing, we had hesitated rather too long so there was a tremendous pressure on to build a plant, now, all kinds of decisions were taken in a great hurry and you can imagine that in the stress of the circumstances at that time the kind of careful consideration to plant sites and other things which would normally be given to a project of this magnitude were rather skipped over, it was a question of building things and getting on with it. I am free to confess that the first site was chosen rather hurriedly and I also would like to point this out to you because it is a question that you may ask later on. I was

A (Cont.) under the impression at that time that the basis of taxation in Alberta was exactly the same, the basis of assessment was exactly the same as it was in the east, with which I was familiar, it was only after until we got well along with our plant that we suddenly discovered the vital difference between the Assessment Act in Alberta and the way assessments are made in the east. Now, normally it wouldn't do that, you would have all these things carefully cleaned up and everything properly documented before you took a step as serious as this.

If you bear that in mind that we were rather in an emergency I think that can be put forward as an excuse to, at any rate, in some part for these rather hurried decisions. Does that answer your question?

Q Yes, that covers the sort of thing I had in mind and a good deal more as a matter of fact but I would take it then that you would agree with this statement in here that you had the concurrence of the officials of the City of Edmonton, doesn't mean that you are implying that the city was bound by anything that had taken place in that discussion?

A Most emphatically not, it was certainly not bound by anything.

Q There is no suggestion that simply because those discussions took place then it is not proper for any proposal being made now that would be different from what was indicated in those discussions.

A They were proper, I know, it is not proper, I do feel, however, that had the officials of the city at that

A (Cont.) time envisaged that there was going to be a possible expansion of their borders they would undoubtedly have told us, they didn't tell us because they just hadn't thought that far ahead.

Q Do you suppose that your people, when you say, yourself practically, mainly, and I don't mean this in the view, personally, but your people who had experience with the location of industrial plants, with the way cities grow, possibly were in a better position actually than the city officials themselves to foresee what might be happening in this area in the way of population growths and expansion in the next few years?

A I am not sure whether they would be in a better position than the city, certainly we have had enough experience to know that cities do expand and as I say we did discuss this matter with the Planning Commission and they, their opinion at the time was that in placing the plant in the location which we finally chose that we would be safe, at anyrate, for the foreseeable future.

Q Yes, but nobody --

A Nobody made any commitments.

Q Told yourself or anybody else that the population of the area was going to be up at the rate of fifteen thousand a year and continue at that rate, whereas in the past it had been running at eight thousand, nine thousand at that time.

A We didn't foresee that and neither did they.

Q So you would agree then that most everything that was thought about and discussed at that time has to be completely thrown into the melting pot and reconsidered?

A I wouldn't have said that. The impression I had in my discussions was that they foresaw expansion but they didn't think it was going to expand in that direction and, if I may say so, the suggestion that has been put forward by the city is not a question of the city expanding.

When I was discussing the whole of this matter with the Planning Commission they were talking about expansion and taking in more area on which to build more residences. That is what I would normally consider an expansion of the city.

Now, what we are talking about today, I don't think is that, what we are talking about is the city extending its boundaries in order to bring in a rural district, not to build residences on, but in order to obtain taxes. That is not, not what I would call a city expansion. It is a different phrase there, the one I would use --

Q Well, aren't there, in fact, both elements involved

A I didn't understand that but maybe there are, I didn't know that the, what Edmonton had in mind was populating this Strathcona district, with a lot of houses, that is quite new to me but you may be right.

Q Well, I was going to ask the next question right on that line, as a matter of fact, if we assume, I

Q (Cont.) think it is a reasonable assumption, that the population of this area will go up, say, by one hundred thousand, it is running at the rate of fourteen thousand a year. It may be going up another hundred thousand pretty quickly?

A Could be.

Q Now, if another one hundred thousand people came into this area one of the logical places for them to go is in the southeast corner of the city, suppose thirty thousand of them went in there you won't be rural in the sense of an isolated plant any more, would you?

A We wouldn't, no, not if it is built up all around the plant, that is true.

Q That will happen, will it not, regardless of what happens to the boundaries?

A I don't know whether it will happen, it can, that is the risk one always has to take.

Q Do you suppose it would be more likely to happen if the area is left under the control of a rural council or do you think that amalgamating the whole area and putting it under city council would make it easier to establish and enforce proper zoning so you might get some protection.

A Well, our suggestion was that that might be done by making this metropolitan commission, giving it more powers to do that kind of planning that you have just touched upon. I think that is one of the suggestions we put forward but to answer your question specifically, as to whether it would be more likely, whether its development is more likely to take place

A (Cont.) if the whole area was under the control of the city, whether it would be more likely to take place if it was divided as between the city and the M.D. of Strathcona, I don't know, I find that a very difficult question to ask, to answer rather and perhaps the M.D. of Strathcona might help me there, whether they would go and build houses all around, I have no idea.

Q You agree that is a consideration.

A It is one of the things one has to take into consideration.

Q If, in the next ten years, there are going to be another one hundred thousand then regardless of which way the boundaries are you probably are not going to be a rural plant?

A It could be as you say, yes, people have got to live somewhere.

Q Well, now, I wonder if you would elaborate the last sentence of your discussion on this point where you, at the top of page 4 you say you favor a rural area and then the municipal district should be left to develop along normal economic lines. What do you mean by normal economic lines in that kind of a discussion.

A Well, in that context, I think what I had in mind was, was simply leaving the district to develop in the way it would normally do, normally develop if it had no pressures exerted on it from the outside by reason of problems, tax problems that had to be solved by extending the borders of the city or by

A (Cont.) other means, tax problems that had to be solved that had nothing whatsoever to do with the municipal district of Strathcona.

Q Do you mean then that what you see here is normal development in the sense of the kind of development that would go on in a rural municipality miles away from the city.

A It wouldn't necessarily be miles away from the city, it would be the development that would go on in an industrial district like this if no other considerations arose, in other words the municipal council of the municipal district, one would think, would try to encourage this development in every way possible. They would avoid, I would imagine, getting houses mixed up with factories and all that kind of thing if they were left to handle their own affairs, if a sort of force majeure is involved, then, of course, all those considerations would have to take second place and it was the absence of this major force that I was referring to where I said normally.

Q Yes, well, in the absence of what you call a major force, my french pronunciation won't take that, in the absence of that wouldn't the normal situation have been that a residential area would be built around the plants, that the same municipality would have to provide schools and roads and streets and sewers and all the other things that go with local government.

A They might quite easily have done that but the only

A (Cont.) exception I would take to anything you have said is that I wouldn't think, nowadays, in view of the experience that we have had that an intelligent council would so zone building arrangements that they bring residential property right up near the plants. On the other hand there may be lots of residential property in the M.D. but it would be placed in different points from the plan, that, of course, would involve, as I think you are just pointing out, extra taxes for all the things that go with it and that I think one would contemplate, if it happened, it is just one of the things that are very likely to happen.

Q Well, if ordinary or normal economic lines would have involved the plant and its employees all paying their taxes to the same municipality and receiving their services from the same municipality do you see any reason why you as a company oppose doing that very thing now, in other words putting them in so that they would all pay taxes to the same municipality and get their services from the same municipality.

A No, we wouldn't oppose that as such, our objection to the proposed amalgamation in Edmonton was not based on the grounds that you just stated but on the grounds that I think taxes would go up because we would be paying, not for the services we and our employees would receive, but for a whole lot of other services that other people would receive .

A (Cont.) I think that was the point I was making there.

Q Well, then, do I take it now that you are withdrawing your statement that you are opposing amalgamation?

A Well, I fail to see how you can arrive at that conclusion. Are you suggesting something of this sort, do we oppose amalgamation providing that our taxes remain the same, is that the sort of question?

Q Yes, that is --

A Well, now, it is rather like asking me this question, I feel. Do you oppose falling in the river providing you don't get wet. Well, I suppose if one was dealing with the thing in a classroom and you were concerned purely to demonstrate to your students in exercising logic, you can deal with that kind of thing but I wonder, if before this Commission, this kind of euclidian reasoning means very much. Surely the whole idea of bringing industry within the urban area is to increase taxes.

Q No, there are two possibilities, I grant you there is a real possibility that taxes might go up but there is the other reason, which is more important for bringing them in and that is that the taxes which are now being paid would go to a different municipality. Now, are you expressing any opinion as a, a preference to which municipality your taxes go to provided they are the same size taxes, I think that is an important point .

A No, if the question is very very carefully directed to where the taxes go I don't feel that we have any preference at all, nor do I feel that we have any right to express a preference because the municipality themselves are the people who are charged with just that problem, where taxes ought to go, we are concerned primarily with the taxes we pay and not with what the municipality, council of the municipalities in their wisdom do with it.

Q I am certainly pleased to hear that because it is quite different from the impression I had from the brief. The impression of the brief, certainly at the bottom of page 7 "C.I.L. considers any proposal for the solution of the problems mentioned above based upon amalgamation to be basically unsound and shortsighted." Now, that sounds to me like straight outright opposition to amalgamation per se, I take it from what you are saying now that that isn't intended to be opposition to amalgamation?

A No, the opposition to amalgamation is, I think primarily this; that if amalgamation takes place either taxes will go up, which I think is the most logical thing to happen, or they won't go down rapidly as they would have if amalgamation had not taken place. Now, I think that is really the point. On page 8, I think, if you read that argument, it illustrates that what we are talking about are taxes from time rather than that we are putting forward some argument saying that theoretically or from an administrative point of view it would be better

A (Cont.) to have the borders drawn this way than that. I don't feel, myself, that I am sufficiently knowledgeable of it, about how districts should be administered really to express much of an opinion on it. Our brief was confined substantially to pointing out what industry believes or what our particular industry believes to be the right thing to do from its point of view and also from the point of view of the province with regard to whether or no the suggested changes are going to increase the industrialization or decrease the industrialization of Alberta, so I think it was confined to those lines.

Q I asked this same question of Mr. Mackenzie and Mr. Goldenberg on behalf of Canadian Chemical. I was going to read you Mr. Goldenberg's reply and see if you agree with it, I take it from what you say now you do but from your brief I took it you did not. His reply to the same question was and I read, starting at the second sentence just missing the first sentence:

"It --"

meaning his company --

"wants to stress the fact that it feels that the tax load which it is now asked to bear is unduly high and it would certainly not be able to support or to approve any change in organization of the area which would intensify that problem and it therefore submits that if any change is made we must make certain or this Commission should recommend, --"

Q (Cont.)

"The changes which we have recommended in our brief but I do want to say this that this company does not want it said that it stands in the way of any development which is in the best interest or which the Commission may decide to be in the best interest of this area but it does not want its problem intensified."

Now --

A Substantially that would be my position.

Q Substantially that is your position then, it is really not opposition to boundary changes it is opposition to anything that will raise your taxes?

A Yes.

Q Well, I appreciate that very much because that certainly wasn't the impression that your brief left in first reading. Now, you quote a good deal about the fact that taxes in the Alberta Municipalities are high. I don't know if I can put my hand on an exact quotation, yes, near the bottom of page 4

"Further more, rural property taxes in Alberta are high compared with those imposed in similar areas in the Province of Ontario and Quebec, further prejudicing the competitive position."

I notice you use the word rural property taxes, now, the first word "rural", I take it that that has particular significance in this context, it is property taxes we are talking about, is that right?

A Well, it has this significance only that our plant

A (Cont.) is in a rural area and we were therefore comparing the taxes we paid in this rural area with taxes paid in similar areas in Ontario and Quebec. It was merely to keep everything on a comparative basis.

Q The main emphasis here is that the property taxes which you pay are higher than in corresponding areas in the east?

A Yes.

Q Now, what about other taxes? Property taxes, setting it aside for the moment, what about other taxes?

A Well --

Q Are you paying other kinds of taxes in the east that are making up for that difference?

A We have included in these rates here the taxes paid by our plants, of course, it obviously excludes the corporation taxes, which is paid to the Dominion Government, sales taxes, but these 23.9 mills and 44 mills as shown here are an inclusion of all the taxes that would be worked out to a mill rate on the assessed value down here.

Q And related to your plant only, they don't cover what your employees would pay in the sense we were talking this morning about industry as a whole?

A No, no, just the plant, just the plant.

Q What do you suppose the situation would be if you looked at it from the point of view of the whole complex that makes up the industrial organization?

A I don't know, it is a very good question, one should have an answer to it but I don't know what that answer is, no idea.

Q For instance, in the Province of Quebec, you have a five percent retail sales tax, that is one item alone which would be a very heavy charge, I take it?

A Yes, they have different kinds of taxes, I don't know, I mean it is a big question that I just haven't the answer to.

Q There is, in Ontario, an item which they call business assessment, now I am not familiar just what is involved there, for instance would that item be --

A That is included.

Q That one is included.

A It is actually small but it is included in these figures.

Q But not such a thing as the two percent of Quebec sales tax which goes to municipalities?

A No, no.

Q Or the one percent of Quebec sales tax which goes to school boards, that wouldn't be in?

A That wouldn't be included, these are only taxes on property.

Q Have you any idea as to the relative importance to your company of these municipal taxes as compared to other taxes?

A You mean such things as sales taxes and so on - - well, of course, there is this difference in the various taxes that we pay, the taxes one pays on property you absorb yourself, the taxes that are paid on sales are always added on to the sales dollar, usually they have to be shown as a separate item and actually, although we, C.I.L. pay taxes to the government in point of fact we recoup ourselves from

A (Cont.) our customers.

Q Don't you do that with property tax too?

A You can't do that with property tax, for this reason, that the price is set by the competition. Now, as long as the competition is paying the same sales tax as you are and is adding the same sales tax it is rather, you are rather indifferent to the sales tax and your property tax, however, is part of your cost, he may or may not be paying the same taxes.

Q To the extent that you might be a little higher than he is?

A Or lower.

Q Yes.

A Whichever way it is.

Q But if they were both the same then they would both be added in the same way as the sales tax, is that the point you are making?

A Yes, if they were the same and, they would all have to be added in. The only difference, I think is it is perhaps a psychological one, you are familiar, of course, with what happens when you go into a shop in Quebec, at any rate in Montreal, you buy certain articles and the price is marked up, not including the sales tax, you buy the article and then you pay so much more, you get a little slip of paper showing that you have paid 70 cents, whatever it is, the sales tax. Consequently when people are in competition with one another they don't usually compete by absorbing the sales tax, it is a separate levy which

A (Cont.) is quite obviously made on the customer, on the other hand taxes like property taxes are regarded as part of your costs, you don't pass them on in quite the same way.

MR. BLACKSTOCK: Well, you, that gets down to the quantum of profit that one may make in comparison with another.

A That is right.

MR. MOFFAT: I was going to go on now to a somewhat similar situation with respect to your freight charges you quoted an amount of $60.00 per ton on your east bound freight charge. Does that form a significant part of your total laid down cost by the time you get the product in the east?

A Oh, yes, I don't want to give, what I could do, of course, is to say that $60.00 a ton is "X" percent of our costs, with the chairman's permission I will not say that because we don't want to publish abroad what our costs are, obviously.

Q Would you give us the selling price?

A We can give you that, our selling price is about eight hundred dollars a ton, rather less at the moment, around sixty dollars a ton and is therefore somewhere, one seventh, work that out --

Q One percent would be --

A Somewhere around one percent --

Q No.

A No, or is it ten percent?

Q One percent would be eight dollars, be around eight percent?

A Around eight percent, that is right.

Q About eight percent of your laid down cost?

A Yes.

Q Well, now, I was just using that figure as a way of getting --

A It is laid down costs, by the way, that is selling price.

Q I am sorry, your selling price. Presumably they are not very far apart.

A They unfortunately are at the moment but we hope they won't be.

Q I see. What I was hoping to do was to establish this as a measuring stick against your municipal taxes. Now, do you mind giving us a relative comparison as to whether your municipal taxes are more or less important than that, say.

A They, of course, vary with the output of the plant, at the present moment that is, for 1954 municipal tax is about ninety dollars a ton, now, that is of course a very misleading figure because you must remember that in 1954 the output of the plant was very small.

Q Yes.

A So naturally per ton the taxes would appear to be abnormally high. Actually we are hoping that those taxes, if the mill rate remains the same and the assessment remains the same might fall to, I think it is around eight dollars a ton or about nine dollars a ton, it is about nine dollars a ton when the plant is working flat out.

Q Which would work out at somewhere around one percent?

A That would be about it.

Q Of the selling --

A Of the selling price.

Q Yes, at the bottom of page 5 you say --

"The second proposal is that there should be a metropolitan scheme evolved whereby each of the municipalities would retain its political and taxing autonomy --"

-- "-- there would be a metropolitan control for matters of common interest."

I didn't read all the words there but that is --

A Yes.

Q -- the gist of it. Who made this proposal to this Commission, are we referring to any specific proposal made by somebody or was that a general implication, I am not quite sure whether you were -- it was some particular person's proposal.

MR. MASSIE: I might say it was a proposal that was put forward by me to Doctor Littler, perhaps, not having had a complete summary of these proceedings but I had understood such a proposal had been put forward.

MR. MOFFAT: No, it has not been put forward and the thing has been discarded, it is basically the Toronto approach to the thing but nobody has actually made the proposal to the Commission.

MR. MASSIE: That is what I was --

MR. MOFFAT: That is why I was wondering whether you had something specific in mind.

MR. DAVIES: Actually, Mr. Moffat, I think Beverly made that submission in their initial brief.

MR. MOFFAT: Yes, I suppose it wasn't borrowed out of--

MR. DAVIES: They wanted to retain their own council, you remember, have something in common in respect to sewer, water, roads and retain their own council.

MR. MOFFAT: Yes, that is true, I hadn't thought of that. The point is, for the purposes of your brief, you are not referring to any particular proposal that anyone has made?

A No.

Q You are simply --

A Just listing it as a fact, or at least what we thought was a fact.

Q I take it that your position in respect to that kind of a proposal, or in relation to the other one is the same which you stated a few minutes ago. Now, on top of page seven you give the number of employees, where they reside and you come down to the fact that some 89 C.I.L. employees have moved into the district. Now, what district do you mean there, is that the whole metropolitan area?

A Yes.

Q That is not the Strathcona district?

A The word should have been districts because they have moved into Edmonton, Beverly, Jasper Place and the M.D. of Strathcona.

Q And your suggestion appears to be that there is probably some responsibility on C.I.L. to make some provision towards the cost of local services for

Q (Cont.) 89 people and their families, is that correct?

A Well, it isn't the suggestion here, what is stated here is that, two things, first of all the employees that have been brought in and have added to the population of Edmonton, Beverly and Jasper Place are small in number and cannot have added very seriously to whatever difficulties may have been, may have existed in those cities or municipalities before this change took place. Secondly that in view of the fact they are all very highly paid employees, relatively speaking, the inclusion of those employees, together with the increased wages of the ones that were already living in those districts will have had the effect, either of offsetting or more than offsetting the costs of services that they were getting.

Q In other words then you are going back to the same point that we were on this morning?

A The argument here, I think if you refer back to page 6, the argument is, I think it is an understatement that industry, and in particular C.I.L., has not added materially to the difficulties of Beverly, Jasper Place and Edmonton. Now, I think --

Q Well, then, have you any suggestion who was the cause if it wasn't the new industries that came in.

A Well, as the difficulties of Jasper Place and Beverly pre-dated the establishments of industries by quite a considerable number of time, quite a considerable length of time you can hardly blame the industries

A (Cont.) or you can hardly blame the industries in the M.D. of Strathcona for the difficulties that Jasper Place and Beverly are facing because they had occurred before industry came in. You would be on much, apparently more logical grounds if you talked about the difficulties of Edmonton because there, of course, Edmonton expanded and has continued to expand at the time when the industries in the M.D. of Strathcona were being established, but, if you ask me whether those two things are connected and if they are connected in what way I am afraid I am back again to the difficulties we were talking about this morning. Either the industries have had little or no effect on the difficulties of Edmonton, that is one, possibly they may have made the difficulties worse, that is another possibility or they may have helped Edmonton very greatly, that is the third possibility. As between those three I was unable to choose, the amount of evidence that has been produced to enable me to make up my mind.

Q Well, suppose I was to say to you that in the last five years the school population of Edmonton and Jasper Place and Beverly, taking the whole thing in together, has gone up by, I don't know the figure off hand but say it is fifteen thousand students I take, it is not quite that much, say that, who should be responsible for paying for that, school construction program for example in schools, if it isn't the new industries that have come into the area in the same period. How would you suggest that the thing should

Q (Cont.) be financed if it isn't financed by charges against the industries that came into the area?

A Well, I think we are in rather a difficulty here. You can get the industries that have come into the area to finance this or any other scheme on the grounds that they have got money, let us take it off them, that is one way of doing it. Another way would be to say you are the people that have created this difficulty here and therefore you ought to pay for it, that is the second way of doing it. Now, it can be established, this is the thing that I have been bothering at all the time, it can be established, can it, that these industries have really created this problem and they haven't in fact been helping to solve it?

Q Well, could we put it this way that they have helped to solve it but they haven't succeeded in solving the whole thing?

A Then, what you are saying is here is a serious problem which these industries have helped to solve to some extent and let us make them solve it completely, you could do that.

Q Could we, would it be fair --

A It would be better to put it in that light, you see the way the thing has been expressed up to now is certainly not in those terms.

Q Could we put it just a little bit different again, here is a problem which has been created by certain industries coming into the area and has been solved in part by them but they should finish the job.

A Well, you could put it in that term if they are right but would it not be equally true to say that here is a problem that existed in very acute form before industry came, now it exists but in less acute form since industry arrived, wouldn't that be an acceptable statement?

Q That would be one alternative but if it has been, in fact aggravated within the last five years, which I think the record shows --

A Are we not falling into the post hoc ergo propter prior hoc policy to say night follows day therefore day follows night. Don't you think it is too strong, I mean there maybe that significance --

Q Well, that is why, it is to avoid that, that I asked you in the other form, if that isn't the reason then have you any suggestion what is the reason, you can't avoid it on the post hoc argument unless you can establish, identify some other thing which created the situation.

A You, now, it is not really a too fair way to argue, I think if somebody puts forward a proposition, say in astronomy and you say, well, I don't think that is true, I mean somebody says the moon is made of green cheese and you say I don't think it is true and you say then all right what is it made of, surely I

A (Cont.) am not arguing about the moon, I am not an expert on what is happened in Edmonton and all I am doing, in my humble way, is questioning certain explanations or alleged explanations of what has taken place and now because I am questioning these explanations and I rather find I might have questioned them with some success then I am rather turned on, you see, and asked furiously what the devil I am going to do about Edmonton, well, I don't know what to do about Edmonton, to tell the truth I haven't the least idea, you might perhaps ask the manager of the Grey Cup team.

Q That is what this Commission is asked to do.

A I know.

Q And would like any suggestions?

A I wish I could help them, really I can't, Mr. Chairman, I am not good enough to be able to put forward any real cogent analysis of the situation.

Q I was wondering, in your brief here, where you take out this figure of 89 as being the new ones who moved into the district and I was wondering whether there was any suggestion there that you were, your company was prepared to admit some responsibility for those 89 but not for the others. Now, was there any thought of that sort implied there?

A No, it isn't, it was just a statement of what had happened and I might add this, to enlarge on it, that of that 89,51 actually are staff and most of those would be in the relatively high income brackets so that the addition of those people are adding relatively

A (Cont.) wealthy citizens to Edmonton which might help them to some extent. We have got a great deal of our labor, local labor, we did bring in a very number of, a very large number of our technical people from all over, places outside the area.

Q Well, somewhat related to the point we were just discussing but without going into the same aspect of it, if, in fact and I think you can accept this as a fact, the population of this area has gone up roughly sixty thousand, in total, in the last five or six years and, if in fact, those people have had to be provided with municipal services and schools and streets and sewer and everything that goes with them and, if in fact, your industry is paying municipal taxes would you agree that it would be more reasonable that whatever taxes they do pay should go to this, helping to solve this financing problem.

A If you can parcel it out in that way, are you sure something like this doesn't happen though, we, from the plant in Strathcona and I am now using the word to mean that organization minus the employees, we pay certain taxes to Strathcona and we get for those taxes very little service, the plant requires very little service and you also see our employees live mostly in Edmonton and elsewhere so they are not getting any services from Strathcona. Now, is it not possible that a number of people living in Strathcona and Strathcona supplying them with all these services, education and the rest of it,

A (Cont.) that they come from points outside the district of Strathcona and that you have got exactly the same thing the other way around. Now, of course, ideally it would be very much better if all taxes were paid directly to those authorities that provide you with the particular services and that is rather getting back to the old business, which I must say I am rather in favor of, of making a man pay for the services himself rather than doing it through taxes, then you can be quite sure then that there is none of this business of one person paying for another person's child and another person paying for another man's child. I don't know, you see, whether the M.D. of Strathcona isn't in the position of having to educate the children who are employed by firms from outside the boundary of the M.D. of Strathcona, you see, I just don't know about that, it could happen, couldn't it?

Q For your information that is one question where information is being prepared as to the number of--

A Yes.

Q -- who are in that category. If the situation is overwhelmingly in one direction then I take it you would agree that the logical position would be to have it all --

A Assuming it is, assuming it is as simple as that, the thing that is worrying me is that these taxes we give to the M.D. of Strathcona, presumably they are being used for proper purposes and if they were

A (Cont.) taken away and given to Edmonton what happens to the M.D. of Strathcona, I just don't know about that.

Q Yes, that is a question also that needs to be looked at but from the point of view of your own plant, I am trying to restrict it to that, I take it you will agree and that you are raising now the general question what about the general services for the rest of Strathcona, which is a separate point.

A A separate point.

Q On page 9, paragraph number 27 you speak of the problem which arises with respect to the taxes payable by industries during the first years of operation merits consideration. Now, here again we had a good deal of evidence with respect to the Canadian Chemical Plant in which two points were made, one, that something should be done with respect to plants during the first few years of operations and, secondly, that something should be done for those plants which have heavy investment in production equipment relative to the number of employees that they have in the plant. Now, is it the intention here that you would raise both of those points or are you making some special plea here for something for the first few years.

A Well, in 27, I think paragraph 27 deals only with what might be called temporary relief, that is some adjustment in taxes for the first few years of our plant that has been deliberately built over capacity and is perhaps using only ten percent of its capacity

A (Cont.) in the first year, maybe twenty in the second, thirty, forty in the third, something of that sort.

Q Yes.

A It is dealing entirely with that, not with the question of whether processing machinery and equipment should be assessed.

Q But, in other words you are dealing with, taking the brief as a whole on both points.

A Dealing with both points, in paragraph 27 only with the first one.

Q Yes.

THE CHAIRMAN: Mr. Moffat, would you glance at the clock and advise me as to the amount of time you will require.

MR. MOFFAT: I think we might be finished, I am not --

THE CHAIRMAN: All right.

MR. MOFFAT: I think five minutes can do it. Your suggestion here is this, that anything that is to be done with respect to either of those points should be done through an amendment to the assessment act which would apply over the whole province?

A That is so.

Q And again this, this would apply regardless of where the boundary of the city happened to fall?

A That is true, it is essentially provincial, yes.

Q You are talking there in your own situation, regardless of whether amalgamation goes ahead or whether amalgamation does not?

A That is true, these points are not affected by where the city boundaries may be drawn.

Q Mr. Garside just asked me one question which you might be able to answer. On the table at the top of page 7 you give the number of children in school, do you have the number of young children of pre-school age.

A I did have it but I don't know whether I brought it or not.

Q Well, if you could.

A I could send it to you, we have it somewhere, I know, because I did work it out.

Q Now, ~~wone~~ other general subject, I hope we can do this in five minutes. This general idea that industry tends to group, that there are important advantages in being grouped close together. I think you explained it mainly in the easy exchange of by-products and raw materials and so on, you used the phrase this morning that I made a note of here, unavoidable and inevitable that industries should group. That again is regardless of municipal boundaries, is that correct?

A Not regardless, if you had a grouping of industries starting in a certain district and you suddenly changed the boundaries and brought that district within a city, imposed various conditions, amongst them high taxes, but there may be many other conditions too you might very easily stop that development at that point. It is not true to say that it is regardless of where the boundaries would be drawn up, what I was trying to convey was this; that many industries tend

A (Cont.) to group together for mutually advantageous economical reasons but it doesn't mean that all industries want to group in the same place. There is an advantage for our polythene plant to be near Canadian Chemicals, there is a advantage for both of us to be near the refinery, certainly I think there is an advantage to Canadian Chemicals to be near a refinery and so on but other types of industry wouldn't want to join that group at all, it might wish to join a totally different group and that particular area for the other kind of industry might be most unsuitable. What I was trying to convey is, that generally speaking, industries do tend to group together for mutually beneficial economical reasons, it is a bit like these new shopping centers where they found that all those shops benefit if they all group together, with a parking place in the middle. It is the same general idea.

Q Well, looking at it from the point of view of the whole area, the area outlined on the map that we have up there, would it not be a perfectly sensible arrangement to have industry grouped in one area, continue that grouping and encourage that grouping, would it not be more sensible to do that if it was all within one taxing political authority and thereby encourage grouping by having it all in one area.

A Well, I don't think you would want all your industries in one area, you would want industries of a like

A (Cont.) kind in one area so that you might have industries grouped in two or three areas but it would be grouped.

Now, I really can't see where the advantage is bringing the whole of that area marked on the map under one authority would be over having that area planned by an overriding Commission, with each of the districts remaining as they are at the moment, I mean I don't see where the advantage of one over the other would come from the point of view of grouping of industry. Now, I can see a great disadvantage, if you are going to do that you put up the taxes but that wasn't what you are referring to, I am sure.

Q I say this, I am trying to set aside the question of taxes.

A I knew you were.

Q The advantage industrially of grouping would be as great, if not greater, under a unified administration then it would be under a split administration, is that correct?

A Well, it would be as great but not greater, in fact it would be exactly the same, it wouldn't make any difference one way or another, I don't think.

Q One more question arising out of that, in reply to Mr. Brownlee you said that if the boundaries went out to this distance it might stop the tendency for industry to group?

A It could conceivably, yes.

Q Now, what, would that be the cause of the tax situation or are there other factors involved?

A Primarily the tax situation and then, of course, secondly if that area was going to be built up residentially you wouldn't get any more industries grouped, naturally.

Q Yes, if residential construction goes in there that is one factor, the other one --

A Taxes.

Q Taxes, if those two are equal then you don't see anything --

A No, no.

Q Thanks .

THE CHAIRMAN: The Commission will now take a recess till 3:15.

MR. MASSIE: Do you now wish to hear further from Doctor Littler after this?

THE CHAIRMAN: Have you questions Mr. Garside, then, Doctor Littler will be asked to remain for that much longer as there are two or three other questions.

MR. MASSIE: That is fine.

(At 3:05 p.m. the Commission is adjourned and at 3:15 p.m. reconvened.)

THE CHAIRMAN: Mr. McGruther, my attention was called to the fact that we omitted to number the brief of Canadian Industries Ltd.

MR. McGRUTHER: 117.

BRIEF PRESENTED ON BEHALF OF CANADIAN INDUSTRIES (1954)LTD. IS ENTERED AND MARKED EXHIBIT NUMBER 117E.

THE CHAIRMAN: I wish also at this time to say that the Commission will not sit tomorrow afternoon, the reason being that the staff, we feel is entitled to the same break as the Civic Service and the City Service and other people and so we have decided, not that the Commission isn't prepared to carry on, but in order that we may play fair with everybody, we shall not sit tomorrow afternoon and the sittings then will be adjourned at 12 o'clock. Now, let me see, I think Mr. Blackstock.

DOCTOR H.G. LITTLER, recalled to the stand on his former oath, questioned by Mr. Blackstock:

Q Yes, I have a few questions, Doctor Littler, you referred to thirteen plants in Quebec and Ontario, you refer to them in the schedule to your brief. Can you tell me if any of those plants are polythene plants?

A Mr. Blackstock, I am afraid I didn't catch all your question did you say, refer to thirteen plants?

Q Yes, five -- thirteen plants?

A Yes, yes.

Q In Ontario and Quebec?

A Yes.

Q Are any one of those polythene plants?

A No, sir.

Q I take it that there are materials required for the manufacture of polythene is not found in Ontario?

A Not the same material as we are using here but there are materials that can be equally well used.

Q And can I take it that you came here because natural gas was a better material than any of the others and cheaper.

A That is so, as a raw material it is cheaper than any of the alternative materials so far discovered in the east.

Q Now, when you came to Alberta you no doubt examined the tax structure, the tax basis of assessment and you have considered freight rates, you no doubt considered labor, all the factors were considered, now, which was the compelling factor of all those that you considered? Was it the gas?

A I don't think so, sir, I think I mentioned earlier on that when we had done all the calculations and I might add at this point that we completely forgot that there was a difference in Alberta.

Q I remember that.

A In taxes. When we done that it was a matter of some difficulty to decide whether to go east or west, we felt that perhaps on balance we were wise to come to the west and I think I mentioned that our competitors, who recently had gone through the same calculations, decided that we were quite wrong and they are going to go to the east. It was, I think, rather a near thing, it so balanced out that the decision had to be taken almost by intuition rather than hard figures.

Q But we can assume that on the balance and all the factors you were of the opinion that you could make

Q (Cont.) money, otherwise you would not have invested this large sum of money?

A We were definitely of that opinion or we would never have invested the money, quite so.

Q At the time you reached that opinion you knew that there was no such thing as rigidity of municipal boundaries or rigidity in taxation?

A That is so.

Q Taxes might go up, they might go down but in all probability would go up, that was thought of, I suppose?

A Yes, we considered that and I think I had occasion to make this statement some time ago, one of the factors that influenced us in coming to Alberta was the policy of friendly encouragement that we found at all levels of government. I did mention this publically at a luncheon meeting we had about, months ago, when Premier Manning was there, it was appropos to the introduction I was making at the time, we felt that with this friendly atmosphere, while obviously there is always the danger of taxes going up, some times very unjustly, we felt that it would be minimized, our experience in the east has been that if one discusses, quite frankly, your problems with the different levels of government that you get very sympathetic treatment and our feeling was that we would get even more sympathetic treatment in Alberta where everybody seemed to be very anxious to, that the province should be industrialized as rapidly as possible.

Q You have something over three hundred acres of land for your plant site?

A That is right.

Q What proportion of that is covered with buildings?

A Well, we actually, our plant fence, I think, covers about thirty acres, but, of course, there are roads and open spaces between buildings there.

Q Quite so.

A Of that thirty acres my guess would be that only about a quarter of it is actually covered, under roof, that figure might be a bit inaccurate, just a guess.

Q What do you propose to use the balance for, if anything?

A There are two reasons why we bought so large a site and we used only so small a proportion of it. One is that we wanted room for expansion, we, our experience has always been, in chemical plants, that you never finish adding to them, it is better to have more land rather than less. The other is that with an operation of this sort the further we are away from our neighbors the better.

Q It was for your isolation problem. I want to turn to your schedule again, for the moment, Quebec and in Ontario you show five plants with a replacement cost of forty million two hundred and twenty thousand dollars and your own plant with a replacement cost of thirteen million nine hundred and thirty seven, that thirteen million nine hundred and thirty seven, of course, is what you would call today your book value?

A That is so.

Q Is the forty million two hundred and twenty thousand the book value of those other plants?

A No, that is the replacement cost.

Q Yes.

A We reassess these plants once every seventy years to find out what their replacement cost is and from the point of view of the accountant I think it is legitimate, either to leave in the actual cost or alter the whole thing and put in the replacement cost. Now, in fact our policy has been to use the actual cost of the plant when it was built, which may be perhaps a half or a quarter of the replacement cost, depending, of course, how old the plant is and how much inflation has taken place since the plant was originally built.

Q My point is this: if you have both of those on book value then, that would change the relativity of your fifth column, fourteen percent and twenty five point seven.

A Oh, yes indeed.

Q Very materially?

A Oh, very much, but this assessment, you see, is not the original assessment. If, we could do this another way, there is an alternative method of setting out the figures, in the column under replacement cost we could head that book value and then under assessment the assessment that was made to correspond with that book value.

Q Well, --

A Because you see what the authorities do is, they take these plants and they assess them to a value that they would have cost had they been built in a certain year. Now, in Quebec and Ontario it is 1942.

Q Pardon me, you also take into consideration the normal depreciation, obsolescence, functional and otherwise, in arriving at assessment so that book value has a better relationship to assessment then does the original cost, replacement cost.

A Well, that might be so but if you remember, sir, I did quote an actual case. The weakness of these figures is, the one I think I pointed out, certainly you have pointed out that they are theoretical , unfortunately we have no plant in the east that is more or less identical with the polythene plant and has been built at the same time. We have got similar operations but they weren't built at the same time. Now, the only plant that is really comparable is the one which unfortunately we lost as a result of segregation, that is the plant at Maitland. Now, if one takes the figures there you find that your assessment as a proportion of replacement cost is somewhere about nine percent, not fourteen percent but there you are dealing in both cases, you see, with book value, and in both cases with plants that were completed within one month of one another.

Q In theory your fourteen percent would be much higher than it is, using book value instead of --

A Of course this opens up a question that perhaps one shouldn't touch on here, in many cases we have, we feel that the assessors in Ontario and Quebec, Quebec particularly have increased the value of our plants much more then they should have done, we have one or two cases where we think the assessment is very much higher, maybe double what it should be and that is not allowing for any depreciation or anything else, if that were brought in it would be not double but three or four times but that is the kind of dispute you get between industry and assessors all over the country. My own feeling is that by and large if these plants in Ontario and Quebec had been built last year the ratio, the replacement cost would then be the book value, of course.

Q Quite so.

A And the ratio of assessment to replacement cost would be about what it is now.

Q That is why I asked you, your thirteen million nine hundred and thirty dollars is your book value?

A It is the book value because replacement cost and book value on modern plants are the same thing, of course.

Q Of these seven plants and, no, six plants in, five plants in rural areas just how rural are they, are they on the edge of towns or villages?

A Yes, they are outside, they are sometimes further away and sometimes nearer to town than the M.D. of Strathcona is to Edmonton.

Q The proximity to a town, of course, affords you the opportunity of recruiting your labor force?

A Yes.

Q Do you have to train any of your employees?

A Almost all of them have got to go through a period of training.

Q Oh, do you have your own police force?

A We have guards on the plant.

Q Guards, have you a fire brigade of your own?

A We have our own fire brigade, yes.

Q Now, you spoke of a revision of the assessment act and that consideration should be given with respect to taxes payable by industries in the first years of operation, are those alternative?

A No, we are making two points there.

Q Two points. Now, do you know of any place in Canada where consideration is given to young industry in the matter of taxes?

A Yes, in the east it is quite a usual thing provided that the industry can demonstrate that its plant is operating below capacity because it was deliberately built to anticipate a much bigger market. In other words it is very frequent, very usual to have concessions to begin with for a short period of time.

Q Well, we have such a statute in this province , do you think of taking advantage of it?

A Well, my understanding, and I speak under correction here, my understanding is that that is more or less a dead letter, that it is never done.

Q Not done very often, I will agree.

A Yes, in any case there is another point which I am about to make. I think that this business of making or allowing for special tax deals while excellent in theory can be very badly abused. Less careful restrictions are written into the Act. I think there must be some form about it, it is a dangerous thing to leave purely to discretion, at least that is my opinion.

Q That is all I had, thank you very much.

MR. DAVIES QUESTIONS THE WITNESS:

Q Doctor Littler, do I understand that this chemical plant that is being established in the Chicago area to manufacture polythene will be making it from a process of extraction from gas?

A Yes.

Q They were getting from Texas?

A Well, it comes up from Texas, they also extract, they use ethane in this gas just as we do here.

Q Carrying that one step further, will your competitor, that you spoke of that established in Ontario, be manufacturing polythene from gas that will be coming up from the state and will have that element in it.

A No, they will be manufacturing polythene from gas obtained from refineries which contains some of that element which they will use and a number of other alternative sources of the ethane from which is made--

Q Would you mind giving, in a few words, and tell the Commission about the nature that your products take when you ship it from here, what is it, is it a

Q (Cont.) liquid product, is it in barrels, is it a solid product and enlarge on that a bit further and tell us the commercial uses that get out among the customers in the market for your product.

A Yes, sir. All our product is shipped out in the form of eighth inch cubes, looking like rather coarse sugar, it is shipped out in paper bags containing, I think 50 pounds each. Now, sometimes a small proportion of the product is colored sometime with black coloring matter for a special reason but the vast majority of it goes out in the small colorless white cubes, rather like very ccarse sugar, in these bags.

The process that it is used for, or processes that it is used for all start off in the same way. The material is taken from the bags and put into some form of vessel where it is heated up and then it becomes a very sticky colorless liquid rather like molasses, then it is squirted through certain dies sometimes the die will be in the form of a slit in which case a long very thin film will come out which you can make into these bags, which no doubt you have seen. In other cases the material comes out of the slit into molds and made into molded articles when it cools. In other cases the material is squirted around a wire so that it will form an insulating covering on the wire, that, of course is the great use in submarine cables and in radar particularly, a use which I mentioned, I think, some-

A (Cont.) time ago but essentially all these uses take the same form the product is melted and then squirted into suitable forms, whatever it may be, while it is still a liquid and then allowed to cool.

Q Am I correct in presuming that under the policy of the Alberta Government that the gas that would be exported to Ontario and Quebec will have this component removed from it before it goes?

A I don't think the gas that is being exported to the east ever had that component in to any great extent. The Leduc gas, as I think I mentioned, is practically unique in the very large percentage of ethane it contains.

THE CHAIRMAN: Larger than Texas?

A Yes, larger than Texas.

MR. DAVIES: You mentioned, Doctor Littler, that you had certain plants established in Ontario and Quebec adjacent to towns or urban centers. Have you, my question is about taxation, run into discourses such as this on the claim of the area where you, your employees reside that a share of the taxes of the industrial plant should go to the urban area.

A I have never personally heard of such discussions but I, that doesn't mean to say they haven't taken place it is merely that they haven't come to my knowledge.

Q Would you attribute that, Doctor, to the fact then that the tax rate in those areas is so much smaller

Q (Cont.) that it doesn't make the industrial assessment a big factor?

A That may be so, I am not sure that is true, it could well be so.

THE CHAIRMAN: Or in other terms is the situation in Alberta again unique?

A I may be, like the Leduc gas, yes.

MR. DAVIES: You mentioned, Doctor Littler, that in the event that the industrial area was taken into the City of Edmonton words to the effect that it would have a deleterious affect on further industry establishing, am I correct in presuming that you would modify that statement if you felt that there wasn't going to be any adverse results arise taxwise as a result of such proposal.

A Oh, yes.

Q The brief of Canadian Chemicals and I think also of Sherritt Gordon mentions the law in Ontario on assessment but in referring to the province of Quebec as to the fact that machinery and equipment was not assessed only the City of Montreal was referred to and not the Province of Quebec as a whole.

A No.

Q Now, I understand that you have plants in the Province of Quebec that are not in the City of Montreal, is that right?

A Yes.

Q Are you able to tell the Commission if machinery and equipment is free of assessment in manufacturing concerns outside of the Montreal area?

A Yes, sir, it is, I was hoping to quote you from the Quebec Code but what I have got here at the moment is article 651 --

"All land or removable property is taxable".

Q Is that in the Civil Code?

A It is the municipal code in Quebec part 651 but I could look up the whole of the act but I do know as a fact that in our plants moveable property is not assessed, the actual practise of the assessors in both Ontario and Quebec are the same, substantially the same.

Q Is there any justifiable economic reason why taxes on industry should be any greater in a city area than in a rural area except perhaps enlarged to the extent that industry takes advantage of extra services.

A Well, sometimes an industry flourishes because it is in a city. The easiest example of that, if you can call it an industry, a big department store, nothing would be more fatal to a department store to put it out in a rural area. The fact it is right in the middle of a city is one of its most valuable assets, banks, sometimes railways, all kinds of bus terminals and things of that sort, they must be in a city, that is what makes those sites so valuable. I suppose if that is so one could argue that since they are earning their money because they are in a city that there is some moral reason why they should pay part of the cost, they are benefiting financially being in

A (Cont.) a city, it is not unreasonable to ask them to pay for that.

Q Have you any figures handy that give the ratio between your invested capital and the number of employees you would have on your staff at this plant when the plant was operating at capacity?

A Yes, I believe our investment in Strathcona is about forty thousand dollars per employee, it can be worked out because we have got two hundred and seventyone employees and they won't change to any extent when the plant is operating full out and our investment is about fourteen million, it comes out about forty thousand dollars per employee.

Q Now, there was one other statement in your brief that I was particularly interested in and referring to page four of the brief.

"However, with the discovery of oil and gas in Saskatchewan and Manitoba, and with the export of gas to Eastern Canada, the advantages in cost of locating in Alberta tend to disappear."

I suppose, Doctor Littler, it would be fair to say that as far as industry locating in Alberta is concerned, except if it is taking advantage of ocean rates arising out of shipping to the coast that manufacturers in Alberta are going to be at a disadvantage compared with a similar manufactory in Saskatchewan or a similar manufactory in Manitoba?

A Yes, sir.

Q If the produce out of the manufactory is going east?

A Yes.

Q Therefore, would it be right to think that if substantial findings of gas and oil take place in Saskatchewan and Manitoba that Alberta might well find itself in the position that, unless it gave encouragement to Alberta to industry to establish in Alberta, that we might miss the boat, so to speak, and those industries might well become established in Manitoba and Saskatchewan?

A Yes, sir, that is quite likely.

Q Do you think, do you think, Doctor Littler, that is a factor that this Commission should give much weight to?

A Assuming that it comes well within your terms of reference I think it should because I do feel that it is the long term planning that is so often over looked and it is 20 years later that people wake up and say, I know, if things, we had only done whatever it may be it is too late then. It is very seldom that the importance of long term planning can be realized in the hurly burly of every day life, I think this Commission would be the ideal place to give due weight to those thoughts.

Q That is all, thank you.

THE CHAIRMAN: Thank you, Doctor Mayo, do you wish to ask some questions.

DOCTOR MAYO QUESTIONS THE WITNESS:

Q I have a few simple factual questions that will clear up a few things, Mr. Chairman. Has your company, Doctor Littler, got plants elsewhere in Canada than Quebec and Ontario?

A Yes, I was going to say we have plants in every province in Canada but I don't think that is true, we have plants in Manitoba, a very small one, and one in British Columbia where it is on an island off the British Columbia coast and then we do have a small plant in the maritimes, Nova Scotia.

Q Well, can you tell us whether all of these plants are exempt from Municipal assessment on machinery and equipment?

A They are but I didn't put them in this table because first of all they were explosive plants and secondly in certain cases they were rather special deals. For example that plant on the island off the coast, it is rather a special kind of thing that, it would hardly be fair to compare that with the plant here at the M.D. of Strathcona. It is not surprising that the taxes in an island like that should be very low, that everything would be very different. What I tried to do here was to compare like plants as far as they could be alike. Heavy manufacturing industry situated in rural areas, outside big towns, where there were big towns so to make the figures comparable.

Q But what we are interested in is the general recommendation that machinery and equipment, that it should be exempt, you see?

A Well, it is in Ontario and Quebec, it happens to be in our plant in British Columbia because of its peculiar situation.

Q That is the one north of Victoria?

A That is right, it is equally true of the one in Manitoba but that is a very small plant.

MR. MASSIE: I may say the figures on those two plants will be submitted to the Board in Calgary, they are explosive plants.

A And we prefer, since they are all explosive plants and since we are going to talk in Calgary about another explosive plant, it is more reasonable to compare like plants than to bring figures in here --

Q Yes.

A The same result comes out.

Q Yes, now, that is what I think should be brought out, of course, for information purposes?

A Yes.

Q Not merely the exemption on machinery and equipment but what is the total tax load on equipment and plant, that is the only fair comparison.

A When the figures are produced at Calgary you will see exactly the same thing comes up.

Q Now, you mentioned reduced assessment or perhaps reduced taxation for the first few years when the industry is being, when the plant is operating under capacity and you mentioned that that is done in the east?

A Yes.

Q Could you explain how that is done, is that a method at the discretion of the municipality?

A It was.

Q Or --

A But it isn't now. Originally the municipality could make whatever deal it liked and that was in both Ontario and Quebec and I think everyone agreed that was a very bad situation. Now, it has been altered and, I think I am right in saying this, in both provinces such deals can only be made after having received the approval of the Minister of Municipal Affairs, in other words the municipality have not got complete discretion as they used to have.

Q Are you referring there to the ten year fixed assessment so --

A I was referring to that too but my impression is, and I may be wrong about this, that any deal, other than the standard one, has got to receive the blessing of the Minister now before it is legal but I may be wrong about that.

Q Well, that would appear as though you were referring to fixed assessment, that is true of those and that is true, of course, in Alberta with regard to fixed assessment but I wondered whether you were referring to some general clause in the assessment act saying that all new industry shall receive special consideration for the first few years or something of that kind?

A No, it doesn't do that, I think it should. What it says is that discretion is given to make or relieve people of some proportion of taxes in special circumstances provided that the Minister involved gives his approval, some such wording as that.

Q You are not saying then that this is in vogue now, it should be a general --

A What I think should happen is that the matter be reduced to a formula and written into the law and discretion, as far as possible removed.

Q And be applied province wide.

A Applied province wide.

Q You are not suggesting that is so now.

A No, it isn't now but I think it should be.

Q On the other hand would you not say that as long as no province does that that industry in fact discounts this low earning power over the first few years and takes that into account in establishing its plant.

A Well, it doesn't have to in Quebec and Ontario, you know, I don't know whether I made myself clear.

Q Only if they can get this special deal.

A They are not adverse to doing that if, in their opinion, the case is a proper one.

Q Would you say it is very common in Ontario?

A Well, it isn't very common, I don't think you have the kind of industry that is represented by Canadian Chemicals and ourselves, there is very few of those types of plant .

Q Quite true, I think your recommendation goes further, wider than this type of plant or industry?

A Yes, I would give it to any industry, I don't think that a good claim can be made for every plant put down, I would think that the number of plants built, that are constructed for a market they are unlikely to have for five years is very small.

Q Well, that maybe true --

A You see --

Q But still your recommendation --

A -- everyone, pardon me, everyone could apply for this thing, it would be given to a very few because you couldn't justify --

Q Yet, you are making a legislative recommendation, however, Doctor Littler, and what sort of guidance there do you give any recommendation as to what industries get this special consideration in the first few years?

A Well, substantially just those industries who, by the nature of their processes, find it advisable to build a plant much larger than they are likely to require for some arbitrary period of time, shall we say five years, whatever period of time is put down, that is bound to be arbitrary but that is the draw back. Some arrangement as that and the exact wording of the legislation will, of course, have to be given considerable thought but it doesn't seem to me to present insuperable difficulties.

Q Well, there is one other question, Mr. Chairman, I am not sure whether it is worth going back to or not,

Q (Cont.) The location of industry and the establishment of basic industries is , of course, the chief reason why cities and towns grow, now, when they grow the civic costs rise and we have had a lot of evidence presented to this Commission to show that broadly speaking residential areas, unless they happen to be peopled by extremely high income groups, shall we say, cannot in fact by themselves carry the burden of municipal services, for one thing education is part of that, the burden is eased if there is substantial commercial assessment but that any municipal financially sound council requires industrial assessment as well as -- The proportions will vary, of course, from municipality to municipality. Now, I am not quite sure, Doctor Littler, whether you admitted the force of that evidence that you could get acute municipal financial problems if you had an assessment base much like this industrial, commercial assessment as well.

A No, I wasn't prepared to admit it, as stated in that way, I am not sure that you mightn't be able to divide your cases up into a very large number of different ones and you might find that certain types of industry really were a burden on the city, paid low wages, they had a lot of employees, that kind of thing but you might find other industry had exactly the opposite effect on the city and my objection there is to that general statement, which to me lacks force, it was not analyzed sufficiently to give me any confidence, not at all, not at all.

Q Have you followed the proceedings before the Commission on that point?

A I am afraid I haven't, no, I haven't.

Q I think you might have more figures --

A It might be very enlightening.

Q If you followed that. The only point I am trying to make is that the assessment base must be wide in the great majority of municipalities in Canada if you are going to carry on municipal financial burdens. Now, if that is true it then follows, I think, that the, in the taxation from the total base must, in a sense, pay for all the costs generated by the same base. Now, it was the argument against that that I was interested in exploring, you see that is generally insofar as argument --

A Yes, well, I know, to begin with it doesn't impress me, the second thing is this that you may find if you distinguish between different things to find certain industries, because of their nature, are greatly contributing, very greatly to that city, other industries would be a burden on it, it would be the highest degree of foolishness to drive away industries that are helping you, that is what you can't do.

Q I don't think that is admitting the premise, I am not sure about this.

A Well, you see where I differ from you is this: you say if you talk of a thing called industry --

Q It is all industry .

A I don't think you can , except as a dictionary definition, you cmot say industry does this or does that, industry increases the burden or industry doesn't increase the burden, I think you would find, within that very great generalization of industry, a number of groups which help you very greatly and others which do increase the burden. It is so easy to talk in terms of industry as something or other simply because an industry, you assume the affect of all these industries are going to be the same, that is my objection.

Q We are talking of all industry, must have employees, that is the kind of industry we are talking about?

A That is so.

Q And that whether they pay them fifty dollars a week or eighty dollars a week they are going to generate certain costs, particularly educational costs. Now, the argument which you won't admit, in a sense, is that these people cannot carry on these costs without the municipal, municipal taxation fund, the industry in the sense of a plant.

A Yes, that is what I didn't admit.

Q Is that the gist of your argument?

A That is my point because my argument went along these lines, if you pay people a large enough amount of money they pay enough money in this city that you will have industry in the city who also pay taxes. The thing that is vital is whether people are being paid a large number of, a large amount of money, if they

A (Cont.) are paid a very small amount not only do they pay a small amount of taxes directly because they are living in rather poor property and they also spend proportionately less money and therefore the taxes paid by those commercial, commercial firms in the city, supplying one of those services, also pay lesser taxes, in other words, I think that one of the vital things that is left out of this argument is the actual size of the cheque that the man gets at the end of the week. I think, for example, that an industry that had 90 percent staff and 10 percent payroll, if there was such an industry should not be classed with an industry that has one percent staff and 99 percent payroll and pays them on a very very low scale but they are all industry, they are all included in this beautiful word industry. I think it should be distinguished. Now, I don't know whether that is sound but it seems sense to me, I am not an economist, I am just a chemist.

THE CHAIRMAN: Doctor Mayo, I hope you will save time for this other witness we have.

DOCTOR MAYO: I don't intend to ask any more questions.

THE CHAIRMAN: You don't intend to ask any more?

DOCTOR MAYO: No.

THE CHAIRMAN: That concludes Doctor Littler, I must express the gratitude of the Commission to you for taking time to come and give us all the information you have given us today.

A I would on my part like, sir, to thank you very much for kindly hearing me.

(The witness retires.)

THE CHAIRMAN: You will recall that we expressly asked Mr. Yorath to return today and if he is here I would be grateful, Mr. Yorath, if you would come forward and put the information which is asked for and I hope it will not require your examination to remain beyond the ordinary closing time.

MR. YORATH: Yes, what time do you close.

THE CHAIRMAN: Let me see, you were going to, Mr. Davies had some questions, Mr. Yorath.

D.K. YORATH recalled to the stand on his former oath questioned by Mr. Davies:

Q Mr. Yorath, if this Commission, in its wisdom or otherwise, sees fit to recommend any degree of amalgamation between the city and Jasper Place and Beverly and/or a portion or all the industrial area of Strathcona we are also supposed to make recommendations, as incidental to that, that would affect your company and it would appear to me that there is certain things which we should have which we haven't got. Dealing with the industrial area in Strathcona would you tell the Commission how many other existing suppliers of natural gas for fuel purposes that there are in the area?

A To my knowledge two, sir.

Q And is one Ajax?

A That is right.

Q And the other?

A Mid-Western Industrial.

Q And Ajax supplies Canadian Chemical works exclusively?

A Yes.

Q And is that gas being supplied then for use both as fuel and perhaps other ways, some of them for component parts or just fuel?

A I don't believe that I can answer that, I think it is mostly fuel.

Q And the other one was Mid-Western, was it?

A Mid-Western, yes.

Q And who do they supply?

A Canadian Chemical, Sherritt Gordon, Ajax is Canadian Chemical.

Q In addition to the gas produced for the purposes of fuel I understand that gas is being piped into the industrial area of Strathcona for use of some of its components?

A That is right.

Q And I presume that your existing franchise agreement with the City of Edmonton doesn't particularly anticipate the same of gas for the, the use of it as other than fuel.

A It doesn't anticipate it.

Q Yes, that is it wouldn't be provided for?

A No, no, as a matter of fact our franchise with the City of Edmonton is exclusive, with the exception of gas supplied to the power plant or for manufacturing purposes.

Q And it would appear that the Commission would have to keep in mind this fact then that in the industrial area of Strathcona gas is being used for purposes other than fuel, that is correct, isn't it?

A I would think so.

Q And in addition we would have to keep in mind that some companies are in this position, firstly those that use gas for fuel only and get it out of one line; secondly, those that use gas for non-fuel purposes and get it out of one line and, thirdly, a class of company that gets gas from one line and from that line uses gas both for the purposes of fuel and for the use of components?

A That is correct.

Q Which, I understand, is the position of --

A Canadian Industries.

Q Canadian Industries Ltd. Have you any suggestion to make to this Commission as to what provision should be made to take care of some of these points?

A No, I haven't, sir, I don't think that is my province, sir.

Q But your company would be quite vitally interested in this matter?

A On the assumption of the boundary of the city being extended?

Q That is something this Commission has to consider, we don't know but we have to be armed with this information.

Q MR. BLACKSTOCK: And the rates in the Strathcona industrial area, commercial and industry is exactly the same rate as are imposed in the City of Edmonton?

A That is right, we are interested --

Q There are no problems there, you may have a problem at the north end.

Q MR. DAVIES: I wasn't dealing so much with the question of rates at this stage, I was dealing with the question of exclusive franchise, because obviously an exclusive franchise couldn't very well extend into the industrial area when there are other suppliers there now that had obtained rights under existing contract.

A First, that is so --

Q That is a fair assumption.

A Yes.

Q It was in respect to that particular matter, Mr. Yorath, that I thought you might care to make some observation to the Commission?

A No, I don't think I do, sir, we are in a competitive position in, that is in Strathcona and unsuccessfully competitive in two cases in the City of Edmonton, we have an exclusive franchise except for those two facts which I mentioned, I don't know how I can elaborate on that, how I can be any more helpful to you.

MR. BLACKSTOCK: I am sure of this though, Mr. Yorath, you would not suggest that because your franchise is exclusive, as you have stated, that you thereby desire that Mid-Western and Ajax should be put out of business?

A Put out of business?

Q Hmm hmm.

A No, sir.

Q MR. DAVIES: I think probably, Mr. Yorath, you would go a step further and say that, keeping in

Q (Cont.) mind the nature of that area and the tie-ups that there are between different industrial concerns and gas producers, that provision should be made that perhaps even other suppliers, who are not supplying in the area at present, might come in and supply the industry, would you go that far?

A No, I don't think I would.

Q Well, it would be useful for me as a member of this Commission to have that information. Now, you also referred, Mr. Yorath, when you were here the other day, to the fact that you had certain customers for services that you were supplying that were not in Edmonton, Beverly or Jasper Place from which I implied that you had certain suppliers in fringe areas?

A Yes.

Q Now, I wonder if you can enlarge on that for us just a bit. My thoughts go to the drive-in theater south of Edmonton and maybe over towards the highway and I am wondering if you could give us any figures, supply them to us later if necessary, what number of services fall in that category.

A I can give you some approximate figures which I had with me on Friday, anticipating that some sort of enquiry of this nature would come out. We have a number of customers, not a large number, in the Municipal District of Strathcona and the Municipal District of Sturgeon and Morinville and of Stony Plain. In Strathcona we have approximately two hundred and sixty of which some twenty would be commercial and industrial, seven called large industries and the other thirteen smaller commercial establishments.

A (Cont.) In Sturgeon we have fifty seven and amongst that is included the army barracks of Griesbach which is classed as one customer, but quite a substantial customer. Then in Morinville we have approximately seventeen and in Stony Plain approximately nine. Those are outside of what you might call the franchise area.

Q Have you, in respect to domestic consumers and I mean now household consumers who were sort of on the margin or in some outlying site that you have gone out of your way to connect up with them, have you got some general rate that is generally applicable to that type of consumer?

A No, they pay the same rate as laid down in our regular schedule of rates. Those who are north of the North Saskatchewan river come under our rate area B, those that are south of the North Saskatchewan river come under our rate area A.

Q The next question --

A Excuse me, the rate area A is the same rate which prevails within the City of Edmonton.

Q The next question has to do with this five percent franchise tax, as I understand it, your franchise provides that with Edmonton and the one at Beverly and the one at Jasper Place that you pay into the coffers of those municipal authorities an amount equal to five percent of your gross revenue within the area.

A That is correct.

Q Then, if something happens that the boundaries get

Q (Cont.) extended into the industrial area and your franchise continues then this Commission would be faced with making the recommendation as to whether that five percent tax then should apply in the whole area or whether that five percent tax should be abolished.

A I would presume so, sir, if the City of Edmonton or if the new enlarged area becomes the City of Edmonton and the City of Edmonton franchise applies to that area, without any other correcting legislation, then the five percent tax would apply over the whole area.

Q That would mean then that you would have to raise the price of gas to industries and all others in the Strathcona area, wouldn't it?

A That, sir, I couldn't answer until we had an opportunity of making a fair share cost study but it is very difficult to say to what particular class of consumer your increased rate would have to be allocated.

Q In any event it would seem to be, at least a probable conclusion, that gas rates would go up in that area?

A Yes.

Q At the moment?

A Yes, I would think so.

Q At first blush.

A I would think so but whether all classes of consumers would be affected or not I couldn't say.

Q Have you, in the course of your experience with the gas company, ever heard it suggested that possibly this five percent tax that is provided for in the

Q (Cont.) franchise, made in 1915, between the City of Edmonton and Northwestern Utilities is an indirect tax and might be completely invalid by reason of being ultra vires.

A It has never been suggested to me, sir.

Q Have you ever taken part in any discussions involving that?

A No, I have not.

Q Well, you know that the province cannot levy an indirect tax?

A I do.

Q And there has never been any argument, that you know of, as to whether this could be interpreted as an indirect tax that the city asks you to collect by reason of paying them five percent and as you told us the other day you have to tack it on to the cost of gas.

A No discussion of that sort to my knowledge.

Q Do you know if it is the practise in the Province of Ontario where the H.E.P.C. is, that there is any tax levied on electrical consumption there?

A No, I don't.

Q From your knowledge of any other arrangements in the Province of Alberta pertaining to gas do you know of other franchises, beyond the Edmonton area, that make provision for the franchise tax of five percent to be collected by the municipal authorities.

A To be collected by the municipal authorities?

Q Paid, I mean paid to the municipal authorities, collected by the vendor of the gas.

A Well, we have several cases of such.

Q In Alberta?

A In Alberta.

Q Is Calgary one of them?

A Yes, I believe Calgary is.

Q That is all, thank you.

MR. MOFFAT: I wonder if I could ask just one question, I know you're watching the clock.

THE CHAIRMAN: If you really are honest about it then, one question, go ahead.

MR. MOFFAT: In relation to this same question are you not now in Strathcona, are you charging the same rates as in the city and therefore reflecting also the five percent tax.

A We are charging the same rate except to the three largest customers that I know of who are on what we call our high load, high load factor, main line rate.

Q As far as the ordinary residential customer is concerned the five percent is already reflected?

A They are paying the same rates as in the city of Edmonton.

MR. DAVIES: Subject to the difference, of course, that you aren't paying the City of Edmonton any tax on it?

A That is right, sir.

THE CHAIRMAN: Mr. Yorath, I am very grateful to you for coming back today?

A Thank you, sir.

THE CHAIRMAN: We adjourn until 9:45 tomorrow morning.

(At 4:17 p.m. the Commission is adjourned until 9:45 a.m. the 1st day of December, 1954)